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EDITORIAL

As We See It

Reports that the Federal Reserve authorities had become fearful lest they might make another 1953 "mistake," and that they would shortly modify their restrictive policy have not as yet been confirmed in any observable way. The recent observation of a prominent New York banker that conditions were quite tight enough in the money market, the rather mild conclusion of the Chicago Reserve bank that business was not quite as good as it had been, and many politically inspired complaints from Democrats that the money policy of the authorities was doing harm across the country have not been reflected in Federal Reserve action. What the future will bring forth we do not profess to know. Reports from Washington about what this, that or the other official thinks of the current situation and its needs are conflicting. We, along with the others, shall have to wait and see.

The main factors bearing upon Federal Reserve and Treasury officials are plain enough. Business is still booming whether or not there has been something more than a seasonal decline here and there, and virtually all the forecasters are talking about an excellent year in 1956. No one in the Federal Reserve, we are sure, and certainly no one in the Administration in Washington, would want to do anything to mar this picture. The Treasury is finding that this pace of business generally is filling its coffers at a rate not expected by any of the prognosticators in Washington. It is hoping for a balanced budget this fiscal year and thus a good basis for permitting, nay advocating, tax reduction next year. Of course, too, the

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Background Facts for The "Look Ahead"

By HENRY C. ALEXANDER*

Chairman, J. P. Morgan & Co Incorporated

In viewing the current situation and economic prospects, prominent New York banking executive sees a reconciliation of stability and growth in peace as well as in wartime. Holds our mistakes will be the only limit binding our economic future, and lists among these errors: (1) confusing inflation with actual growth; (2) speculative excesses, and (3) over-expansion of debt, both public and private. Says this is not time for all-out credit restraint, and warns of danger of over-confidence, though stating there are "grounds for genuine confidence." Looks for continuation of favorable business climate.

No subject was assigned to me, so I am left free to deal with any of the $64,000 questions that others may have passed up or failed to answer. You might expect me to deal with some specialized subject—such as bank mergers, or the money market, the trend of interest rates, or the prices of stocks. As to the first, I have had no experience with bank mergers and I might add that I don't look forward to gaining any. As to the others, on all of them I have views, of course, and so do you. And before I have finished you will know where we agree, and where we disagree.


Henry C. Alexander

But my main emphasis is going to be in that broad area where reputations can be lost most easily: namely, in looking into the future and trying to discern what lies ahead. In other words, I will try to take what I would call, if I weren't a director of General Motors, a "forward look." Looking ahead is not only more fun than analyzing the past; it is, potentially at least, more useful. It is so easy to

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*An address by Mr. Alexander before the New York Chamber of Commerce, New York City, Nov. 3, 1955.

Net Debt in the United States

By LELAND J. PRITCHARD

Professor of Finance
University of Kansas

Prof. Pritchard, in viewing the complicated problems arising from debt expansion, finds that the impact of this movement must be appraised in terms of the rate of expansion; the methods of financing it; the distribution of the debt burden; the uses to which the funds are being put, and the general state of the economy. Concludes we have been expanding debt at an excessive rate, that far too much has been financed through commercial and Reserve banks. This has resulted in dilution of our money supply, accompanied by an inflationary trend, notwithstanding the enormous increase in nation's productivity.

The contraction, expansion, cost of servicing and many other aspects of debt are related to the present and prospective profits of business; to wages, prices, production and employment—and the problem of servicing our vast and growing volume of debt may in time be acutely related to the confidence of the American people in the credit of the Federal Government.


L. J. Pritchard

The contraction or expansion of all debt, whether public or private, seems to have a high associative, if not a cause and effect relationship, to the level of business activity. One is impressed by the close association of the ups and downs in our own business history and the ebb and flow of debt. It seems more than a coincidence, for example, that during the Great Depression which engulfed the country after 1929 and which remained with us for over a decade, that throughout this entire period there was no overall expansion in total net debt. At the end of the 30s net debt was actually less than it had been in 1929. Estimates of the Department of Commerce put the net debt figure as of the end of 1939 at $183.2 billion com-

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SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 39.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

JOSEPH S. KLEHMAN

Registered Representative
Dreyfus & Co., New York City
Members: New York Stock Exchange

Burlington Industries—4¼% of 1975 Convertible Bonds

When you buy convertible bonds, particularly new issues at par, you combine the safety of a bond with the capital gains potential of a common stock. In uncertain markets when cyclical turning points may be in process, sophisticated investors look for a hedge — a position whereby if the market continues upward they will share in the higher prices, and also have greater protection against capital losses in the event of declines in the stock market. There is no ceiling on how high convertible bonds may go—yet they possess a floor, or a support level below which they are unlikely to go, because of the money value or "investment value" of a bond type of security.

Joseph S. Klehman

This "investment value" is appraised regularly by the leading statistical services and past history shows that only in a minority of cases have convertible bonds declined below their "investment value," except in periods of panic. There is a floor, of sorts, below which they do not fall, but there is no ceiling as to how high they may go. Thus gains are unlimited and losses are minimized. When bought right—that is at investment value—the conversion privilege which has high potential speculative value, is acquired at no cost.

Let's assume, for example, the purchase of 35 Burlington Industries, 4¼s of 1975 at par, or investment value. This security is rated BA by Moody's. A bank loan could be arranged by the investor for 85% of the cost. Thus, for only $5,250 in cash, and a bank loan of $29,750, he will double his capital if the bond sells at 115. (Commissions and interest on the loan are covered by the 4¼% interest received semi-annually from the issuing company.)

Now, how can the bond rise to a price of 115? The most likely cause is a rise in the price of the common from its recent price of 16⅜ to a price of 21. Since the first third of the $30,000,000 Bond issue is convertible at 18, 55.55 shares of the common may be acquired for each $1,000 bond. (The second, third is convertible at 19 and the final third at 20—I am assuming that not more than $10,000,000 of Bonds will be converted before 115 is reached.)

For the sake of conservatism I am not taking into consideration the bonds selling at a premium, or a higher price than the conversion parity of the common stock — a phenomenon which occurs quite often—as in the case of Bethlehem Steel convertibles and others.

Thus if the common stock and the Bond sell at conversion parity, a price of 21 for the stock should result in the Bond selling at approximately 116½. (Multiply 21 by 55.55.)

Now we must proceed to an analysis, both technical and fundamental, of the common stock, since the common most likely will determine the price of the Bond. Lack of space prevents an exhaustive study but the following salient points should provide a good starting point.

Burlington is the largest textile company in the country. Sales in the 1954 fiscal year ended Sept. 30 were over $347,000,000, of which half were in woven synthetic fabrics. The product mix is well diversified, being sold to over 20,000 customers. Ninety plants, most of them in North Carolina and Virginia, are owned outright. From the $4.03 earned per share in 1951, per share earnings declined through 1954, at which time they reached a postwar low of 0.95 per share. Only this year do we witness a reversal of the earnings trend in the entire textile industry, which had been depressed in all respects during the postwar period. Severe competition has forced the elimination of many smaller marginal producers, especially so in the hosiery business which is an important segment of Burlington's operations.

As a result I foresee less drastic price competition, resulting in higher profit margins, and also an increase in sales volume. These favorable conditions are mainly responsible for estimated 1955 fiscal year earnings rising to $2.20 per share as opposed to $0.95 for the same 1954 period. In my opinion this trend will continue for quite some time. The stock, which now is on an indicated $1 per year dividend basis, thus sells to yield more than 6%. The price earnings ratio is less than 7½ times estimated earnings.

The common in 1955 sold as high as 21¼—the low was 16. Thus we are only ⅜ above the low for the year to date. Other textiles like Textron, Beaunit, American Viscose, Industrial Rayon and Lowenstein are performing favorably in the market place, resisting declining prices and advancing somewhat better than the market taken as a whole. I feel that the Textile Industry has overcome its worst problems, that an intermediate bull trend has now been established for this industry and that we may look forward to higher prices for the intermediate term.

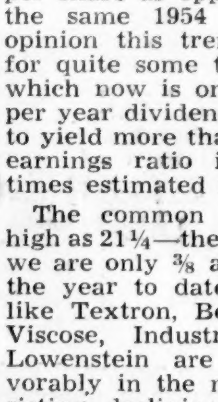
To sum up—Burlington Industries 4¼s of 1975 involve relatively little risk, have a substantial capital gains potential and since only 15% cash is required, afford an excellent opportunity for all investors—small or large.

AUGUSTUS SLATER

Research Manager
Lester, Ryons & Co., Los Angeles

Permanente Cement

With sales nearly tripled during past seven years . . . serving a population growing at twice the national rate . . . operating the largest cement mill in the West, one of the two largest in the world . . . an important producer of gypsum with one of the lowest cost raw material sources to be found anywhere . . . this leading West Coast building materials company is in the midst of its most important expansion program ever, expected to increase **over-all sales 50%, to $60 million plus, double earnings, with no stock financing required.** Hence, Permanente Cement Co. is a favorite of mine.



Augustus Slater

Permanente Cement was organized in 1939 and completed its modern cement producing plant in the San Francisco Bay area, Calif., in January, 1940. The plant, having an original capacity of 2½ million barrels per annum has since been increased to 7 million barrels, and is one of the two largest single cement plants in the world.

An important economic factor in the cement industry is that due both to the combination of widely scattered deposits of the principal raw materials, limestone, clay, etc., and the fact that transportation costs are relatively large in relation to delivered prices, the economic marketing area via truck or rail from any one cement plant is ordinarily limited to distances of 200 miles. **Therefore, Pacific Coast markets are protected against the competition of Midwestern or Eastern producers by the distance element.** On the other hand, since the cost of water transportation is much lower, **Permanente,** being located close to ocean shipping facilities in the San Francisco Bay area, has built up a substantial overseas trade in Hawaii, Alaska, South and Central America and even the Far East.

In 1952 the company entered the gypsum business through purchase of a going concern, and this division has been of increasing importance more recently. The properties purchased included a gypsum plant in the Los Angeles area, serving Southern California; a smaller plant in the San Francisco Bay area serving Northern California; and a gypsum deposit in the Gulf of Lower California. In September, 1954, a gypsum plant was placed in operation in Seattle, Wash., to serve the large market in the Pacific Northwest, and this newest unit which is the only one of its kind within a radius of 800 miles, has been operating 24 hours a day, 7 days a week continuously to date.

An unique feature of the company's gypsum operation is the fact that it is the only one on the West Coast situated on tidewater, being located on the Island of San Marco, Lower California. It averages 98% pure gypsum, lies at the surface with no overburden, and is estimated to contain a reserve of approximately 200 million tons of high-grade gypsum ore. The company operates an especially constructed gypsum ore ship which transports the raw material to the gypsum plants via low cost water routes, and also to overseas markets for gypsum ore throughout the Pacific area.

Expansion Program

(1) An entirely new **cement plant** is to be built in Southern California at a cost of $12 million, having an initial capacity of 2 million barrels per year, and to be in operation by the Fall of 1956.

(2) The San Francisco **cement plant** is being expanded 20% from 7 million to 8.4 million barrels annual capacity, at a cost of $4

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This Week's Forum Participants and Their Selections

Burlington Industries: 4¼% of 1975 Convertible Bonds—Joseph S. Klehman, Registered Representative, Dreyfus & Co., New York City. (Page 2).

Permanente Cement Company—Augustus Slater, Research Manager, Lester Ryons & Co., Los Angeles, Calif. (Page 2).

The Short-Range Business Outlook

By DEXTER MERRIAM KEEZER*
Vice-President and Director
Department of Economics, McGraw-Hill Publishing Co.

Economist expects current record-breaking business boom will carry on well into 1956, possibly at reduced rate. Predicts resumption of upswing after "jiggling" letdown in latter 1956. Cites stock market's "tarnished" record in forecasting business. Decries great alarm over business implications of Eisenhower illness, or return of Democrats, maintaining the alarming threat of inflation will continue under today's political leadership which regards even occasional budget balancing as abysmally archaic. Sees possibility of Democratic party being less of a *bete noir* than pre-1952.

My subject is the outlook for business over the short run, say until New Year's Day of 1957.

In my judgment, the general business outlook for the period in question remains very good indeed. I anticipate that the business boom, now proceeding at an all-time record breaking rate, will carry on well into 1956, but necessarily at somewhat more subdued rate than it has surged forward thus far in 1955. I won't be surprised if in the latter part of 1956, there is some slight letdown in business. But, after a relatively brief breathing spell — a sort of jiggle on the curve as I heard one eminent economist characterize it — I expect the forces making for continued expansion, growth and prosperity to reassert themselves.

Dexter M. Keezer

A Minority View

I realize that in taking this optimistic view, I put myself in opposition to what the stock market averages seem to many people to be saying. I also put myself in opposition to many individuals who feel that President Eisenhower's illness, and what they and I feel must be regarded as his imminent retirement from the presidency, marks the death knell of the business boom which has so spectacularly flowered during his Administration.

I really don't mind being in opposition to the stock market as a forecaster of what's ahead for business in general. For in this line, the stock market has a pretty badly tarnished record. Indeed, there have been considerable periods since the end of World War II when business in general and the stock market have moved in diametrically opposite directions.

Of course, an observation of this sort may raise the question of whether my associates and I have done any better than the stock market in plotting the future course of business. If such a question were raised, I would be forced to ignore the dictates of modesty and confess that we have done very well at it. Periodically, we have an outside audit of our record in correctly divining the general business outlook. The last audit showed that in the last two and one-half years, we were right about 82% of the time. Perhaps, by way of comparison, I should remark that in baseball, it is a superlatively good batter who bats over .300, or less than half as well as we have batted. And the curves thrown at a batter are simplicity itself compared to those thrown at a business forecaster.

President's Illness

I am much less comfortable in putting myself in opposition to those who think that President Eisenhower's illness has sounded the death knell of the business boom. The reason is that such a position might be misconstrued as an indication that I feel that the President's illness is of no great economic consequence.

Any such conclusion would completely misrepresent my view. I regard the President's illness as a national misfortune of major proportions, one which might have very baleful effects upon the economy unless we pull ourselves together to prevent it. But, as I see it, the possibilities that the President's illness will have dominating effects upon the course of business are longer-range possibilities rather than possibilities which will be unfolded during the period to which my observations are addressed. Among these, it is not difficult to recognize the alarming possibility of much more price inflation in the years ahead, under the ministrations of political leaders who regard the ideal of a Federal budget which is at least occasionally balanced as abysmally archaic.

Those who feel that President Eisenhower's illness will soon be reflected in deterioration of our prosperity stress their expectation that the shock to business confidence resulting from the illness will result in a sharp cutback of business plans for investment in new plant and equipment. If this expectation were to prove correct, a drag on business—in the form of reduced capital expenditures — would replace what has been expected to be the buoyancy of expanding capital investment by business in the months ahead. This year, business investment in new producing facilities will reach a total of about $28 billion. The trend of expenditure has been up during the year, and the ex-

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*An address by Dr. Keezer before the Aluminum Association, New York City, Oct. 27, 1955.

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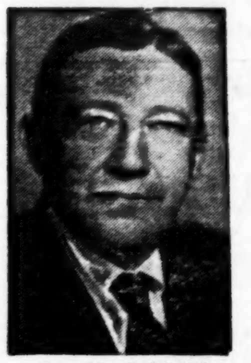
American Potash and Chemical Corporation

By IRA U. COBLEIGH
Enterprise Economist

A capsuled appraisal of a rather unusual chemical enterprise with interesting and diverse prospects for growth.

There aren't very many potash companies around, and the line is not a particularly well known or popular topic for board room discussion. So, let's provide some new fodder for financial conversation, after the 3-for-1 split in Standard Oil of New Jersey, and the announcement that may put a Ford (certificate) in your future or your strong box — after these choice items have been all talked out. Let's talk about American Potash, listed on NYSE where it goes under the nickname APO (no, not Army Post Office).


Ira U. Cobleigh

There is an old and well known expression about something being "worth its salt." Well, in the case of American Potash this adage has real significance since the real basis of all its production is the extensive alkaline brine (salt to you) lying in the bed of a dry lake (Searles Lake, to be precise) in the Mojave desert in California. APO controls and digs in this arid brine by virtue of ownership of the part of the lake bed in fee, and through land leases from the government. In any event, the brine APO can use from this hunk of lacunal aridity is estimated to sustain company operations at the current rate for another 30 years.

Well, what's so wonderful about brine in the Mojave? What can you make out of it? The best answer to that is found in the $23.6 million net sales of American Potash in 1954, the expanded (and all-time high) per share net in prospect for 1955. From this defunct and saline lake bed, American Potash delivers four major chemical items: soda ash, salt cake, boron chemicals and potash. APO is, in fact, the largest American producer of sodium sulphate (salt cake) and enjoys a world ranking as second largest producer of boron chemicals.

All very lovely, you say, but what do you do with salt cake? Well Northwest kraft paper mills have to have it, and eat it up. It's used in industrial detergents. Both of these markets are growing rapidly.

And what about boron chemicals? Who likes them? The glass industry is a big buyer; porcelain enamels and certain porcelain glazes need boron; fiber glass needs the stuff; and boron uses spill over into glues and starches, metals and leathers, soaps, detergents and agriculture. The latest APO item in this field, "Borotherm," introduced in 1954, is catching on big as a fire retardant in low priced paints.

Potash, which is given feature billing in the company title, is naturally important. APO delivers around 7% of all U. S. potash, and this harsh sounding element is a big thing in agriculture. 80% of APO potash production finds its way into fertilizer production on the West Coast, and in Hawaii. This is one of the elements that justify APO consideration as a "growth stock"!

Soda ash, the fourth major item we mentioned above, is widely used in insulating and fiber board, soaps, detergents and glass. The company not only proudces soda ash in California, but also at Green River, Wyoming, in a plant jointly owned by APO, with Food Machinery and Chemical Corp., and National Distillers.

In addition to the foregoing, American Potash, in common with many other alert chemical companies, has been expanding into attractive new fields. One of these is spearheaded by the Eston Chemicals Division. By developing derivatives of the above-captioned major elements, Eston manufactures fumigants, herbicides, insecticides, aerosols; and is the national distributor of the well known refrigerating fluid turned out by du Pont, called "Freon."

There has, as you well know, been a terrific upsurge in the uses of lithium recently. It's a big and highly classified factor in our atomic program, and has been listed as a key element in the hydrogen bomb. Apart from these urgent and vital strategic uses, however, lithium is widely used in ceramics, greases, welding and pharmaceuticals. Well, lithium has not passed unnoticed by APO. In 1954 there was organized American Lithium Chemicals, Inc. with a plant in San Antonio, Texas, due to start functioning by the end of this year. Its first product will be lithium oxide. This company is somewhat of a joint venture being 50.1% owned by American Potash and 49.9% by Bikita Minerals Ltd. (in which APO has a 21.25% interest). The raw lithium for this plant is to be delivered from the Bikita mine in Southern Rhodesia, Africa.

Another string to the APO bow is found in its 48.2% interest in Western Electrochemical Co. with a plant at Henderson, Nevada. This company fits into the APO picture because it's the largest producer of ammonium and potassium perchlorate. In case these chemicals mean little or nothing to you (as, indeed, they did to me), take note that they're vital elements in guided missiles and unassisted take-off rocket. For peace these unfamiliar elements are used to kill weeds, bleach paper, make matches and dry cell batteries.

So here you see we have quite a different sort of chemical company from the standard. It starts off with brine and boron and spreads out into a variety of products of essential use in many peacetime industries as well as in atomics and guided missiles for war. It has another point of difference from other chemicals you may have examined. Its common sells today at roughly 15 times net earnings which is a relatively low appraisal of earning power in this dynamic industry.

How come then, that more people haven't noticed APO? Well, it's partly due to the fact that till 1952 large stock interest in the company was in the hands of two other companies. APO, however, in that year, bought in, and retired, these share holdings; and immediately began to dynamically improve its efficiency, its product diversification, and its earnings. Total net sales for 1952 were $18 million. This year they should be above $25 million. More importantly, however, net on the 585,447 class "B" common shares should move up to past $6, against $3.98 last year. The indicated dividend rate is $2.50 a year. There was a 10% stock dividend in January of this year.

You certainly can't cover a chemical company operation without some reference to research. It has to be good, extensive and continuous to project good future earning power in this industry. Well, in 1954, APO dedicated about 3½% of net sales to research, which ranks it among the top companies in respect to this ratio of research expenditure. There are two laboratories, one at Trona and the other at Whittier, California.

Financial condition is sturdy, buttressed by the sale of $7 million of 3⅝% debentures last March. This issue, by the way, should not be passed over too swiftly. It's a quite good quality fixed interest item in its own right; and it possesses a conversion privilege that, to coin a phrase, is "right on the nose." The stock sells at 90 and the debentures are convertible at that figure. These "converts" are priced today at 117, if you'd like to work both sides of the street. At that level you pay a little for the stock call, but you have a pretty solid bond to string along with while you're waiting. And of course the bond is quite delicious collateral in the eyes of a friendly bank.

All you would ask of APO is that it continue the rate of growth it has displayed since 1952 for the next five years, and you could not escape the conclusion that the "B" common shares, currently at 90, are quite modestly appraised. Q.E.D. about APO.

Joseph McManus Extends Wire System

Graham Walker, managing partner of Joseph McManus & Co., 39 Broadway, New York City, members of the New York, American and Midwest Stock Exchanges, announces the addition of six cities to the McManus Correspondent Wire System, which now extends to 35 cities.

The new correspondents are Wyllie & Thornhill, Charlottesville, Va.; Southwestern Securities Co., Fort Worth, Tex.; Irving Miller & Co., Tulsa, Okla.; Brooks & Co., Wichita Falls, Kans.; Kenneth Ellis & Co., Scottsdale, Ariz.; and Mountain States Securities Corporation, Denver, Colo.

Crockett & Co. Wire to Victoria

HOUSTON, Tex. — Crockett & Co., Houston Club Building, has installed a direct wire to de la Marre & Co., Limited, Victoria, Texas.

Adams & Co. Formed

BOISE, Idaho — Adams & Co., Inc., has been formed with offices at 205 North Tenth Street, to engage in a securities business. Richard T. Adams is a principal of the firm.

Financing Patterns in the Natural Gas Industry

By FREDERICK W. PAGE*
Vice-President, Tri-Continental Corporation
Partner, J. & W. Seligman & Co., New York City
Members, New York Stock Exchange

Investment analyst, asserting the natural gas industry breaks down into more separate classifications than any other single industry, explains the factors which influence the market price of common stocks, and applies these to gas industry. Discusses such factors as earnings, capital appreciation, capital structure, and management, but warns these matters must be geared to the risks involved, and, therefore, gas industry financing requires a tailor-made job.

Frankly, I don't believe there are any well defined patterns in the industry. Of all the industries with which I am familiar, the natural gas industry breaks down into more separate classifications than any other single industry. You not only have your production, transmission, and distribution segments, but in each of these divisions there is a wide variation in risk. Certainly a distributor who pays 50 cents for his gas has different problems than one who pays 25 cents. Also, the transmission of gas to New England involves greater risks than the transmission of gas to the mid-west. A producer of gas in Texas probably has lower costs and a much wider outlet for his gas than a producer in North Dakota. Because a financing pattern must be geared to the risks involved, your industry requires tailor-made jobs. There cannot be ready-made patterns in just a few styles and sizes. Having had no tailoring experience in cutting patterns for your industry, I find it difficult to stick to the title except in very broad terms. Consequently, I will attempt to fit my experience as a buyer of common stocks to the title as well as I can.


Frederick W. Page

Before telling you what we look for in common stocks and advising you as to how you can make your stocks more attractive to investors generally, I would like to describe briefly our operations and to outline some of our problems. I want to mention our problems to you not in an effort to obtain any sympathy, but in order that you will understand why we take certain positions.

Tri-Continental is the country's largest diversified closed-end investment company with net assets of slightly over $260,000,000. In addition, we manage three open-end investment companies—Broad Street Investing, National Investors, and Whitehall Fund. These three companies have net assets of over $130,000,000 which gives us almost $400,000,000 for investment, mainly in common stocks. All of our companies report quarterly, and in these reports give a complete list of portfolio holdings. In this respect we differ from pension funds, insurance companies, and other large investors. Our investment results are fully publicized and are judged in comparison with those of our competitors and market averages. Consequently, we have to make a year-to-year showing and cannot invest merely on a long-term basis as can many other managers of large funds. We, therefore, are more sensitive to near-term developments and may sell a stock at any time if, in our opinion, it becomes overpriced in relation to its near-term outlook.

Appeal of Common Stocks

Whenever we or most any investor buy common stocks, we are looking for appreciation. Some buyers may emphasize income, and some may emphasize stability, but all want some capital appreciation. In this respect I believe there has been a major change in the investor's approach to common stocks in the past 15 years. Back in the days before high tax rates, you could compete successfully for the investor's dollar by offering a safe, satisfactory income. With present high tax rates you no longer can compete on this basis with municipal bonds. They give greater safety, and to give the same net yield after taxes, your stocks would have to yield 7 to 10%. Also the difference in tax rates on long-term capital gains as compared to rates on ordinary income makes capital appreciation more desirable to the investor. Consequently, I believe you can compete much more successfully for the investor's dollar if you offer him a stock that can appreciate rather than one which is a second cousin to a preferred stock.

Having devoted my entire business life to selecting stocks for maximum appreciation, I believe I can tell you what will appeal to an investor looking for appreciation. Obviously a higher market value can be obtained on your stock only through higher earnings and dividends or through a higher price-earnings ratio. Of these two factors, the latter is often more important. As an example of this, railroad stocks currently sell at only 7 or 8 times earnings, whereas chemical stocks sell at 30 times earnings. It is often easier to obtain a 50% increase in your price-earnings ratio than it is to obtain a 50% increase in earnings. If you can obtain higher earnings and an expanded price-earnings ratio, your stock is obviously going to appreciate. Not only will this give you lower cost money on your common stock, but it will be reflected in your over-all credit standing, and you will obtain better prices on your bond and preferred stock offerings.

Increased Earnings

The first of these two factors leading to a higher market price, namely an increase in earnings, is mainly dependent on economic conditions, and management. But, your financing policy can also be important, and I would like to make a few comments on this. For the regulated portion of your industry there are only four ways in which you can improve your per share earnings: (1) a better over-all return on invested capital, (2) reinvestment of earnings, (3) a lower cost of prior capital, and (4) an increase in the capital pyramid. The first two are more a function of regulation, management, and economic conditions, so I will skip over them at this point

*An address by Mr. Page before the Financial Forum of the American Gas Association, Santa Barbara, Cal., Oct. 14, 1955. Mr. Page is also a Vice-President of Broad Street Investing Corp.; National Investors Corp., and Whitehall Fund, Inc.

but will comment on the reinvestment of earnings a little later.

Cost of Prior Capital

As to the other two ways in which per share earnings may be increased, you do not have much control over the cost of your prior capital. The cost of capital is determined mainly by money market conditions. However, I would like to recommend a few do's and don'ts in connection with your financing policy. In the first place, do keep flexible and don't get into a corner where there is only one way out. By this I mean keep your capital structure in such condition that you are in position to issue any type of security and not forced to offer one specific security when the market for that security is in poor condition. I also mean keep flexible in your thinking about financing. I have seen officers of companies plan their financing way ahead and then stick to those plans even though market conditions change greatly, and this can occur in a very short period of time. The money market is in a constant state of flux. I have also seen companies plan a certain pattern of financing and then operate within that pattern come hell or high water.

One of these patterns might be as follows: first, issue common stock, then issue preferred, and finally issue bonds and keep rotating financing in this order. This pattern was a product of the 1920s and its objective was to get equity behind the bonds so that a better price would be obtained for them. I don't believe this pattern any longer makes much sense. The spread between yields on AAA, AA, and A bonds has narrowed so greatly and tax rates have increased so materially that there is not much to be gained by an improved credit rating. On the other hand, common stock money is your high cost money, and if you can obtain higher per share earnings by doing your low cost financing first, I think this should be your objective. Of course, any such pattern should be geared to market conditions. If you have a good common stock market but a poor bond market, offer common and vice versa regardless of your predetermined pattern.

Another pattern that I have seen companies rigidly follow is to finance construction through bank loans until a certain amount has been reached at which time the loan is funded. This is fine during an improving bond market but there are times when this pattern should be abandoned. For example, it would have been better to anticipate requirements with a large bond issue in 1952 and again in 1954 and this could have been foreseen.

There are a few other do's and dont's that I believe can lead to an improved cost of prior capital. Do give the institutional buyer all the information that he requires, and don't try to hold anything back from him. His confidence in obtaining information and knowing your setup makes a big difference in his attitude toward your securities. Do sit down with him periodically in private either in his office or during a visit to your properties and don't hold aloof as if he were a necessary evil to be avoided at all costs. A private visit during which he can ask what he believes are confidential questions is much better from his point of view than an invitation to a large group meeting or luncheon. Do try to schedule your offerings when the financing schedule is relatively clear and don't put an offering on an already overcrowded calendar.

Capital Pyramid

The final way of increasing per share earnings is through your capital pyramid. Changes in your capital pyramid can have a very

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Observations . . .

By A. WILFRED MAY

THAT NEW BUDGET

The new Budget introduced by the British Chancellor of the Exchequer has most interesting connotations, in the areas of politics as well as economics, on both sides of the Atlantic. In the former, for example, it gives further evidence that political exigencies can be shunned to a degree, but not entirely. This conclusion is not at all undermined by the past week's improvement in the public's impression occurring during the week since Mr. Butler's presentation—as reflected, along with Britain's $76 million improvement in her month-to-month reserve position, in the week's use in sterling.

A. Wilfred May

Mr. Butler has had to face up to a serious situation, constituted by excesses of various kinds; including domestic demand for daily consumption items, consumers' durables, houses, and factory buildings. This has entailed over-employment, with unemployment down to a new low record. Also resulting have been the huge imports, up 15% from 1954; with relatively small exports. The lengthening of delivery dates of the exports shows that their deficiency has been largely due to the diversions from the home market.

Importantly responsible for the payments difficulty and the shortage of dollar reserves, was Mr. Butler's 1953 policy in staying out of the International Wheat Agreement in the hope of a worldwide price drop, which, because of the United States' continued support policy, failed to materialize.

Another of the most serious results of excessive home demand have been the continually rising prices and wage rates, with the latter increasing more than the former, and both outstripping production by at least 50%. In connection with the present attempts at planning for deflation, it should be remembered that the present excess of demand stems from industrial fixed capital expenditure, including industrial re-equipment which in 1954 was deliberately stimulated by cheapening of money, and by the Chancellor's provision in the 1954 Budget for "investment allowances" on new plant and machinery and industrial buildings. In government planning, reversal of policies once adopted is not always so easy!

Now Mr. Butler runs into the difficulty of effecting greater cuts in capital expenditure, which can be attacked through the local authorities, or the nationalized public industries as the utilities and private industry through credit restraint. Such credit restraint on the private sector, it is becoming increasingly realized, can be intensified, probably through clamping-down by the cooperating private banks. Capital expenditures can be cut by restrictions as restraining the rate of borrowing and through the Public Works Loan Board of the local authorities. Now local authorities must borrow either in the market or at the going market rate, while the projected cuts in the investment programs of the nationalized industries have been arrived at via bargaining with the Boards.

Difficulties Remaining

But the main problem remains unsolved. In the commendable major effort to deflate the spending boom, the Chancellor, as with his opposite numbers throughout the world, runs smack into the difficulty, including the political, of curtailing current government expenditures further enough. Typically, much of the expenditure lies in Defense and Social services areas.

Then, some of the strenuous measures taken in the Budget entail severe drawbacks. The cut in the Exchequer subsidies to new housing, as well as the boost in the Purchase Tax will increase wage demands, and further extend the spiral of a wage inflation. Only blind optimism will rely on labor taking increased living costs lying down.

The increase in the dividend tax, it appears, will be ineffective not only as a sop to reduce the demands of labor leaders, but even as a brake on inflationary dividend distributions, the latter conclusion being inferable from the subsequent behavior of share prices.

Because of the political factor, the agricultural subsidies are to be postponed until next spring, with the present bread subsidy left untouched.

Chicago, R. I. & Pacific RR. Certificates Offered

Halsey, Stuart & Co. Inc. heads a group offering $2,952,000 of Chicago, Rock Island & Pacific RR. 3% equipment trust certificates, series P, maturing semi-annually June 1, 1956 to Dec. 1, 1967, inclusive.

The certificates are priced to yield from 2.85% to 3.10%, according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by the following new equipment estimated to cost less than $3,936,625: one diesel electric passenger locomotive; 225 70-ton covered hopper cars; 200 50-ton steel sheathed welded type box cars four 3-unit Talgo type passenger cars.

Also participating in the offering are R. W. Pressprich & Co.; Freeman & Co.; The Illinois Co. Inc.; Wm. E. Pollock & Co., Inc.; and McMaster Hutchinson & Co.

Russ & Company Opens Office in Houston

HOUSTON, Tex.—Russ & Company, Inc., have opened an office in the Texas National Bank Building under the management of D. E. Walton. Mr. Walton was formerly with the Fort Worth National Bank.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

The past week over-all industrial production was maintained at a high level due in large measure to the considerable gains in the automotive, construction and food processing industries.

Slight declines in steel, lumber and paperboard production were offset by the good showing made in the aforementioned industries. Compared with the corresponding period in 1954, total output was noticeably higher.

Claims for unemployment insurance rose slightly as a result of flood-created unemployment in some Eastern areas, and scattered layoffs in the textile and apparel industries.

Steel consumers are turning to the ancient system of barter in a desperation move to keep production lines going. Its another indication of the growing emergency in steel, according to "The Iron Age," national metalworking weekly, this week.

Many companies have assigned special task forces to ferreting out odd lots of steel that another consumer is willing to trade. The deals involve steel-for-steel or steel for any other commodity that happens to fit the picture, it reports.

High-cost conversion arrangements are mounting. Conversion deals in the making, or making the rounds involve sheets, plates and bars. At least 10,000 tons of sheet conversion involving two large midwestern manufacturers are being sought. Another large firm has done some plate conversion. Still another consumer is reported checking for bar conversion space, this trade weekly notes.

For some consumers, lack of steel has reached the point where production line cutbacks have been necessary. For others, offers of new business are being turned down due to the precarious outlook for future steel supply.

The mills are up against it and despite the record production pace of recent weeks, new business is exceeding output. It is a question of how long producers can maintain present levels.

Steelmaking furnaces and rolling mills obviously are being pushed to the hilt and there is little chance of a let-up in pressure in the next seven months, states this trade authority. But a day of reckoning is coming. Maintenance shutdowns, wildcat strikes, and other unforeseen emergencies assume more significance today than they normally would.

The steel industry, "The Iron Age" observes, will add up to 12,000,000 tons of new capacity over the next three-to-four years, at a cost of something like $2,400,000,000 or more. But it will not come soon enough to help the present situation.

United States and Canadian automotive producers roared past their 8,000,000th unit of 1955 the past week registering a gain of 44.2% over 1954 and are scheduled to reach the 1950 peak of 8,047,240 by the end of this month.

"Ward's Automotive Reports," in counting 8,106,895 car-truck completions for the two countries since Jan. 1 against 6,884,085 in entire 1954, said last week's output in the United States alone reached a level not recorded prior to 1955.

Scheduled in domestic plants are 200,482 cars and trucks, or a 9.8% increase over the preceding week's 182,531 total that finds output of the low-priced cars at a record 59% of 1956 model production.

The statistical agency said that Ford car output last week was programmed at a postwar record of 40,000 units, crowding Chevrolet, while a peak 3,300 units daily are leaving Plymouth's assembly lines.

A temporary respite in Plymouth Saturday work plus new model equipment problems at Chrysler dipped Chrysler Corp.

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Railroads: A Growth Industry

By J. M. SYMES*

President, The Pennsylvania Railroad Company

Mr. Symes Foresees great annual rise in inter-city freight movement marked by 10% increase within next decade. Maintains carriers are being recognized as country's low-cost transportation agency. Emphasizes their increasing aggressiveness, citing popularity of "piggy-back" service. Foresees ability to finance expansion through equity capital.

We are instituting a complete new plan of management organization to go into effect on our railroad on Nov. 1. I am sure some of you have wondered why we are making such a sweeping change at this time. The answer is simple enough — we are getting ready to handle 50% more business in the next ten years than was handled last year—and handle it better than ever before. Perhaps that statement calls for some explanation. There are too few people — including perhaps some in our own industry—that overlook connecting the railroads with the overall growth prospects of our American economy in the next ten years. Maybe it is because the railroads have not participated in the ten years of good times that most American business has experienced since the end of World War II—and it is sometimes difficult to adjust our thinking to a trend in the opposite direction. The facts are that simply by putting together the best estimates of what is going to happen in other industries during the next ten years, we come up with the inescapable prediction that for the next ten years the railroads should be a growth industry. We are told by the experts that by 1965 our population will be increased to 190 million people—and that the annual gross national product will be about $535 billion. That means, of course, that Americans will be using and making, and buying and selling more of everything than ever before — from steel and glass to baby food and kitchen sinks.

James M. Symes

But production would be of little use without transportation. On the basis of past trends—it means that by 1965 the transportation requirements of this country should involve the movement of one and one-half trillion ton miles of intercity freight—43% more than was moved last year. The big question is how will the railroads share in this potential transportation market. Well, last year we handled 51% of the entire output, and if we continue that participation we would, in 1965, be doing 42% more business than last year. If we raise our participation as little as 4 points —to 55% of the total—we would be handling 852 billion ton miles, or 50% more than last year.

*Talk by Mr. Symes before the "Financial World" Annual report Awards Banquet, New York City, Oct. 24, 1955.

It is my considered opinion that 55% participation by the railroad industry in 1965—and even before then—will be the minimum accomplishment, and I will tell you why I feel that way:

Low-Cost Transportation

First—It is finally becoming recognized that the railroads are the truly low-cost transport agency in this country, and that it is in the public interest that they receive greater freedom to compete for business and something nearer equality in the way they are governed, regulated and taxed in contrast to their competitors. I think today, more than at any time in many years, the thinking people of this nation are aware of the fact that a strong and progressive railroad industry is one of the greatest assets to our peacetime economy, and is absolutely essential to our national defense. The recent report of the Cabinet Committee to President Eisenhower clearly states these facts, and proposes changes in the national transportation policy to meet the needs of the nation. I am hopeful that we will soon see legislation enacted that will carry out the recommendations of that distinguished committee.

Second—We all recognize the need for a more adequate highway system to allow the owners of our increasing automobile population greater mobility. I expect this highway system to be built in the coming ten years regardless of where the money is coming from. Also, eventually, and in consideration of that program, I expect that it will come to be recognized that the better the service the railroads are equipped to render, the better the service the principal users of that highway system will receive from their expenditures for both highway and vehicles.

Third—The railroads are more aggressive than ever before in attempting to meet the competitive transport situation in this country—both as to pricing and service—and with additional freedom that should soon be forthcoming by appropriate legislation, should be able to improve their present position.

Fourth — The establishment of "piggy-back" service will grow rapidly, because it is truly in the public interest to take the big trucks off the congested highways and move them on the rail highways, where there is plenty of capacity to accommodate them. It is also in the interest of safety that this be done.

Fifth—The beneficial effects of automation are peculiarly adapted to mass production — and mass transportation is the biggest asset the railroads have in meeting the future heavy demands of transportation in this country—and it simply must be reckoned with.

Now, what is necessary to carry out a program designed to increase rail participation in potential traffic to 55% of the total within ten years—meaning 50% more business than was handled last year. I would conservatively estimate that it would require capital expenditures on the part of the railroad industry of some $20 billion during the next ten years—twice the amount that was spent during the past 10 years. These expenditures will involve new rolling stock, cars and locomotives, mechanized terminals, improved signals, rebuilt plants to meet tomorrow's requirements and performance, and take full advantage of technological improvements as they become available to us.

The Needed Money

Now—where is the money coming from to do the things I am talking about. There will be three principal sources of supply: better earnings from bigger volume and increased efficiency, depreciation cash from capital expenditures, and as a growth industry, by the attraction of equity capital.

With these things confronting us, our new plan of management organization that I have referred to was designed both to enable us to handle more business efficiently and to enable us to get more business. Traditionally, in railroad organizations one department has been charged with performing the railroad services. Another department has been charged with selling those services. We have abandoned that concept and placed the responsibility for providing services and for selling services under one manager, and we have placed that manager as close to the customer as possible.

To do this we have organized our railroad around nine regions, which will be completely staffed with sales and service units. Some people have likened this to nine small railroads. That is true to some extent for we think the plan will give us the flexibility of on-the-spot sales and service administration that is possible with a small railroad. On the other hand, we have strengthened our system headquarters for policy determination where time to think and plan is needed, and to conduct the research that must consider every phase of the railroad's business.

If this concentration of executive attention, to our sales and service functions suggests to you that "The Pennsylvania is sales and service conscious" you will be right, because they are the underlying reasons for our new plan of organization.

Langley, Leserman V.-Ps. of Albert Frank

Gregory A. Langley and Philip Leserman III have been elected Vice-Presidents of Albert Frank-

Gregory A. Langley Philip Leserman III

Guenther Law, Inc., it was announced by Howard W. Calkins, Chairman of the Board. Mr. Langley has been an account executive for a number of years and Mr. Leserman is Director of the agency's special services department.

Form Peters, Jakobson

John R. Jakobson, member of the New York Stock Exchange, and Donald H. Peters will form Peters, Jakobson & Co. with offices at 50 Broadway, New York City, effective Dec. 1.

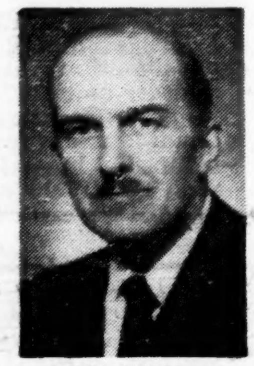
Another Look at Consumer Credit

By DWIGHT W. MICHENER*

Economist, The Chase Manhattan Bank, New York City

After reviewing the origin and growth of consumer credit, economist of a leading New York bank outlines the changes wrought by consumer credit on the individual. Points out consumer credit has the same general influence on the economy as that exerted by other types of credit, and involves much the same risk of creating a "boom and bust" situation. Says unfortunate result of consumer credit expansion is failure to develop adequate standards or norms. Decrys progressive easing of credit terms to meet competition.

Business activity in this country at present is probably at the highest over-all level ever achieved. Everywhere one finds great confidence. Optimism seems to prevail in all areas of business.



D. W. Michener

Nonetheless, experience has shown that when these boom characteristics prevail, it is well for business people to review, at intervals, those areas of their own business where expansion has been greatest and where weaknesses might be developing. Thus, it seems appropriate for us, on this occasion, to take another look at consumer credit. In so doing, it is well to notice, first, a point relative to the origin of consumer credit.

Early treatises in economic theory, especially those which appeared in the latter part of the 18th Century, dealt largely with production. Consumption got little, if any, consideration. It was apparently assumed that consumption of available goods presented no problems and that it would largely take care of itself.

The extension of credit followed a similar pattern. Credit, in the early development of economic thought, was considered to be a facility to be used by producers. Rightly used by them, it would stimulate production of goods and services. But, so the theory went, the use of credit by the consumer was to be carefully avoided.

In recent decades, consumption has taken a place in economic thought and discussion of equal importance to that of production. At the same time, credit has been made available on a broad scale for the consumer as well as for the producer. It has been demonstrated that, just as credit in the hands of the producer may further the production of goods and services, so credit rightly used by the consumer may also enable him to be a more effective contributor to the economic life of the community.

The broader concept of the use of credit has meant that the commercial bank has had to adjust to the new situation, to meet the growing and the more diversified need for its services. It has become a retailer of credit as well as a wholesaler. It is now the banker for the community as well as a banker for business. Even the larger banks have joined the movement to retail banking by the expansion of branches. They have prepared themselves to perform many specialized services, with a fully integrated organization capable of drawing on the resources of all segments of the community of which it is a part. In 1930, there were only about 100 banks in the country with consumer instalment loan departments; today, it is estimated that 80% of the nation's commercial banks are making such loans. Broader lending facilities for the public have included the establishment of departments to handle personal loans, loans for modernization and repair of residential property and loans for the purchase of automobiles, furniture and appliances.

*An address by Mr. Michener at the 35th Annual Convention of the Consumer Bankers Association, Miami Beach, Fla., Oct. 28, 1955.

All of this has tended to place the consumer in a more favorable credit position. Also, other developments in recent years have enhanced the spending position of the consumer. Wages and salaries have advanced. After-tax incomes have improved. Saving has not increased as fast as incomes. For several years, consumer prices have been relatively stable.

Nevertheless, the use of credit by the consumer has expanded with extraordinary speed during the past two decades. The total is now equal to some 12% of disposable national income, and this percentage continues to grow. Instalment credit has currently passed the $26 billion mark, and June of this year provided a record monthly increase of $765 million. The over-all volume of consumer credit is now some $34 billion. The rise in the total during the past several years is due, in part, to an expanding volume of business and, in part, to the lengthening of repayment periods. The sector showing most rapid advance is automobile credit, where the expansion since the first of this year has been well above $3 billion. This speed with which consumer credit has been growing in recent years suggests the need for being watchful, particularly in view of present booming business conditions.

A factor tending to complicate the consumer credit situation is the fact that borrowers are not all of one economic status. Various surveys indicate that the majority are of middle or moderately high income families within the range of $4,000 to $7,000 annual income. They are relatively young families with children. Some consumer credit users have sufficient liquid assets to pay their entire indebtedness if they chose. Others has aspirations for goods somewhat beyond their present resources. And there are apparently still others who are chronic "skaters-on-thin-ice," and who have hopes of higher income in the future but little financial reserve at present.

Effects of Consumer Credit on the Individual

In any case, regardless of his exact financial status, credit for the consumer effects many changes in his position and habits.

(a) Consumer credit enables the individual consumer to buy goods sooner than he otherwise would. He, of course, pays for the privilege. He pays for the risk and for the service expense, as well as interest on the amount of his debt. In the long run, consumer credit does not enable the individual or the family to buy **more** goods and services than could be bought by using cash.

(b) Consumer credit may change the direction of the consumer's expenditures. As Profes-

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Mortgage Credit and Economic Stability

By FRED F. FLORENCE*
President, American Bankers Association
President, Republic National Bank of Dallas, Texas

ABA executive, stressing importance of attaining and preserving economic stability, urges stimulation of desire for home ownership, but cautions against easy and too liberal credit terms in mortgage lending. Though holding that a stable economy requires stability in the construction industry, he points out "a home construction industry that writes its own ticket in the credit market would be an industry employing dynamite." Approves the Administration's credit restraints, and contends those who deal in mortgage credit should take heed of current boom conditions.

The substantial advance in the standard of living of the American people has been one of the most significant developments of the past decade. A vigorous economy has generated a flow of income that has enabled us to consume a volume and variety of products and services that by comparison have made obsolete the living standards of just a few years ago.

Fred F. Florence

Moreover, the prospects for the years ahead appear to be even more encouraging. It is certain that our people will not be content with the progress already achieved in the past decade through such things as the development of television and air conditioning, improvements in modern appliances and automobiles, and better food and housing. They will continue to look to the ingenuity of science and technology to open up new vistas for the satisfaction of their desire for a better material life.

The elements of human existence are food, shelter, and clothing. They are equally essential in a primitive society and the modern industrial economy. Living standards are dependent not only upon the extent to which these basic elements are fulfilled, but also the manner in which they are supplemented with the additional satisfactions we call luxuries.

As an important part of the attainment of the requisites of human existence in the past few years, the American people have demanded a standard of housing that does not satisfy the requirement of shelter alone. An integral aspect of our recent national growth and progress has been the drive for more comfortable homes in which to live richer family lives. We have been able to afford the standards represented by these homes because our economy has been vigorous and highly productive, and because the achievements of this productive efficiency could be translated into a real gain for our people.

The responsibility that lies ahead for our people is to preserve this vigor and productive efficiency. Whether we shall be able to do so will depend upon our success in attaining and preserving economic stability as a base upon which the growth potential of the country can be exploited.

The future holds great promise for us, but we shall be able to realize that promise only if we exercise sound judgment as individuals, as groups, and as a nation. A sharply rising population and the desire for better living standards are two of the most significant features in the pattern of growth that is unfolding before us. These are particularly important to this audience, because they are so closely related to your function — as intermediaries in the distribution of the mortgage credit upon which home construction and housing standards so much depend.

Home Ownership Should Be Nurtured

The desire for home ownership on the part of the American people is a movement that should be nurtured and stimulated. The home owner is a property owner, and it is for this reason that home ownership stands out as one of the prime characteristics of the American way of life. What better contrast exists between our system of free business enterprise based on private ownership of property and the communistic system in which the government directs all activity and all property is owned by the State? What better assurance is there that the American way of life is being strengthened than in the trend toward home ownership in the recent past and the desire for further progress in that direction in the future?

We should remember also that the home owner is a taxpayer. The broadening of the home ownership base thus tends to strengthen the tax-consciousness of citizens. Just as the privilege of property ownership—and it is a privilege that must be preserved—gives a person a stake in the American economic system, an awareness of tax responsibilities gives him a more direct interest in the American political system. The property owner as a taxpayer is more likely to examine proposals for increased governmental activity and spending with greater care. As a property owner, he knows that he has something tangible to lose if a change in our economic system were to occur; as a taxpayer, he is more likely to understand that it is he who must foot the bill for expensive government projects.

I shall not refer in detail to the mass of statistics of forecasts of housing starts, family formation, the over-all size of the mortgage debt, consumer credit, and the like. You can avail yourselves of many professional services covering such subjects, and you can choose whichever of their sometimes divergent viewpoints fits your own plans and inclinations. My purpose is rather to point up the mutual responsibilities of all of us in the field of mortgage credit toward helping to preserve economic stability and thereby making it possible for our nation to realize the potential inherent in a growing population and the search for a constantly rising standard of living. A recent Federal Reserve survey reported that almost one-third of our nonfarm families are not fully satisfied with their present housing arrangements. This should serve to illustrate that the potential is there if we utilize it wisely; and yet, we also should be forewarned that merely "to want" is not enough, because every "want" must meet the test of economic soundness. Less fortunate nations of the world have long known this truth, which sometimes becomes obscured in an economy as diversified and dynamic as ours.

At the outset, one point should be understood. All groups in our nation have before them a common objective: the development, in the long run, of the highest standard of housing that can be afforded through the efficiency of our dynamic productive system. If this point were more clearly understood, differences regarding what is sound and proper in the fields of home construction and mortgage credit would be more easily resolved, and we could more closely and surely approach the objective of stability that is so vital if real progress is to be shared by all.

The Responsibility of Banks

The position of our banks in fostering this goal of economic stability has been clearly set forth. Last Spring, the Economic Policy Commission of the American Bankers Association drew attention to the danger signals in the housing boom; and at the recent Annual Convention of the Association in September, a resolution was adopted as follows:

A continuing flow of instalment and home mortgage lending is essential to a strong economy. We should recognize, however, that when credit terms become too liberal, they may prove troublesome and embarrassing to both borrowers and lenders and injure the health of the economy.

Bankers have a responsibility to counsel with their customers in the use of instalment and mortgage credit. They should be concerned at all times with the quality of the loans which they make, and should lend only on such terms as will provide individual borrowers with proper equities in their purchase, and enable them to maintain their finances and credit on a sound and sensible basis.

No group appreciates more fully than bankers that the health of the construction industry is intimately related to the health of the entire economy, and that mortgage credit is closely woven into the fabric of both of them. During the mild business recession that began in mid-1953 and continued into 1954, expenditures on new construction furnished a substantial prop to the economy by running counter to forces that were tending to retard activity. The construction industry, under the stimulus of the ready availability of long-term mortgage funds, was a primary factor accounting for the mildness and short duration of the recession. Going back still further to a period of severe depression, we find that between 1929 and 1933, expenditures on new construction of all types fell 85%, while expenditures on nonfarm residential construction declined 87%. Needless to say, the plummeting of construction expenditures accentuated the downward thrust of business activity, and contributed to the severity of the depression.

It is therefore quite clear that a stable economy requires a stable construction industry, and that we cannot achieve stability in the construction industry in an economy that is itself unstable. Therefore, the full weight of banking and financial opinion must be directed toward maintaining such stability. It is just as important, moreover, that other groups be motivated in the same manner. Of course, all of us are desirous of acquiring an ever increasing volume of business; but we must conduct our affairs with prudence and moderation, lest we move so fast as to create a reaction that might cause us to fall short of our ultimate goal of the highest standard of housing we can afford. If we have learned one solid fact from our business history, it is that too rapid expansion in strategic areas of our economy is most likely to lead to reaction later; and the greater and more rapid the expansion, the more serious the reaction is likely to be.

Inflationary Dynamite

Those of us who deal in mortgage credit should heed the lessons of history, because the demand side of the housing market is so intimately related to the cost and availability of mortgage credit. During the past few months, our economy has been operating in high gear. Its resources have been pressed to the limits, and fears have been expressed that a sound recovery based on growth might develop into a new wave of speculation and inflation. Under these circumstances, a home construction industry writing its own ticket in the credit market would be an industry employing inflationary dynamite.

It is fortunate that our monetary authorities have demonstrated wisdom and courage to recognize the danger in the situation. For the past several months, a policy of credit restraint has been pursued, with a view toward discouraging a credit expansion faster than that required by sound, stable growth. I need not tell a convention of mortgage bankers that this policy of restraint has had a decided impact upon the mortgage market. Moreover, the impact was so intended. The flexible policy under which interest rates recently have been allowed to rise and under which mortgage money has been more difficult to obtain, has helped credit to become the servant, rather than the master, of the housing market. The net result is that there is likely to be less bidding for the available supply of resources that can be allocated to housing in an economy that is close to straining its existing reservoirs of material resources and manpower; thus there is less danger of inflationary pressures that could only lead to trouble later on. An increase of 8% in the cost of building materials over the past year is something that should not be ignored.

Those of us who deal in mortgage credit have the responsibility of recognizing and respecting this situation. We should give our full support to policies which might seem unpopular at the time and detrimental to our personal interests in the short run, but the sole intent of which is to preserve a stable base for economic growth. If we can agree that we all have a common objective, it is appropriate for us to stand behind policies geared toward that goal.

Moreover, it should be clear to us that actions to place mortgage credit on a sound and sensible basis are not the selfish whims of a few. In various channels of government having a direct or indirect bearing upon the housing market, there has developed a better appreciation of a joint responsibility for working together. When the soundness of an industry so much depends upon our ability and willingness to dismiss political and selfish interests, and when that industry is capable of so materially influencing the general state of our economic well-being, we cannot afford to adopt other than a statesmanlike attitude. This means than we must encourage the fullest degree of cooperation among those responsible for guiding housing policy, and not allow our own selfish interests of the moment — whether as bankers, other financial institutions, mort-

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*An address by Mr. Florence before the Mortgage Bankers Association Convention, Los Angeles, Cal., Oct. 31, 1955.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Energy and the Oil Industry—Bulletin—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Atomic Energy Review—New booklet—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Atomic Reactor Diagram in four colors with portfolio information on Atomic Fund as of June 30, 1955—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Automation Stock — Bulletin — Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Basic Atomics, Inc.—Circular—J. F. Reilly & Co., Inc., 42 Broadway, New York 4, N. Y.

Book Manuscripts — Booklet CN describes services for promoting and distributing books — Vantage Press, Inc., 120 West 31st Street, New York, N. Y.

Business Outlook—Analysis—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Chemical Fertilizer Industry in Japan—Analysis—Daiwa Securities Company, Limited, 8, 2-chome Otemachi, Chiyoda Ward, Tokyo, Japan. Also in the same brochure are analyses of the Japanese **Oil Industry, Metallic Titanium Industry** and the **Cotton Spinning Industry.**

Deflated Growth Stocks—List—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Income Tax Pointers Affecting Securities — Booklet — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a study of **Cleveland Cliffs Iron Company.**

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japanese-U. S. Taxation Conventions — Analysis — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue "Nomura's Investors Beacon" are discussions of **Bank Rates,** and analysis of **Business Results and Outlook,** and analyses of **Mitsui Chemical Industry Co., Ltd., Sumitomo Chemical Co., Ltd., Tokyo Gas Co., Ltd.,** and **Tokyo Electric Power Co., Ltd.**

Manual of Sugar Companies 1954-55—32nd edition—Farr & Co., 120 Wall Street, New York 5, N. Y.—$3.00 per copy.

1956 Forecast—Study—National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

111 Growth Stocks—Brochure—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Personal Property Tax Free Long Dividend Paying Stocks—List of 185 isues tax free in Pennsylvania—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

U. S. Industries—Five-page analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Uranium in Canada—Analysis—Burns Bros. & Company, Limited, 44 King Street, West, Toronto 1, Ont., Canada.

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Aetna Insurance Co. — Memorandum — John C. Legg & Company, 22 Light Street, Baltimore 3, Md.

American Express Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

American Express Company—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is a bulletin on **State Board of Education of Florida** school bonds and a report on **Potgietersrust Platinums.**

Atlas Steels Limited — Analysis — L. S. Jackson & Company, Limited, 132 St. James Street, West, Montreal, Que., Canada.

Corn Products Refining Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Deere & Company — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Manufacturers Trust Company.**

Emporium Capwell — Circular — Morgan & Co., 634 South Spring Street, Los Angeles 14, Calif.

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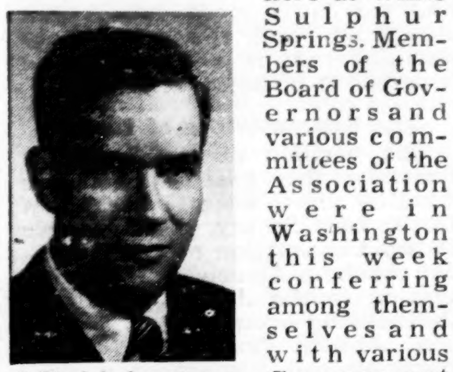
Current Developments at the SEC

By J. SINCLAIR ARMSTRONG*

Chairman, Securities and Exchange Commission

Among current developments discussed by Chairman Armstrong are: (1) the Commission's surveillance work in connection with the present stock market; (2) the results of recent Senate investigation of the stock market, and the working of the Commission's proxy rules; (3) the speculative enthusiasm for "penny stocks," particularly those in the mining industry; (4) the implications of the Fulbright Bill, and (5) the implementation of the new amendments relating to dissemination of information on new security issues.

It is a great pleasure for me to be with the conference of the Southeastern Group of the Investment Bankers Association here at White Sulphur Springs. Members of the Board of Governors and various committees of the Association were in Washington this week conferring among themselves and with various Government agencies.



J. Sinclair Armstrong

They met with the Securities and Exchange Commission on Wednesday, Oct. 26. The Commission gains a great deal from such opportunities to meet with industry and other groups to hear about their problems and discuss our regulatory problems, all looking toward our better carrying out the statutory responsibility given us by the Congress of the regulation in the public interest of the vitally important securities markets. These periodic meetings have been part of our long standing practice at the Commission.

There were a number of topics of current interest discussed by the Commission with these IBA groups and, thinking that some of these will interest you, I am going to touch on them briefly.

Since the unfortunate illness of President Eisenhower occurred, stock market activity and prices have been very much in the public eye. You will remember that the Monday after the bad news came out of Denver the New York market suffered a severe break, and on several days in the succeeding weeks lesser breaks occurred. Taking the month as a whole, although much of the initial reduction in market values of the New York stock list has been regained, nevertheless, on certain days stock prices have varied up and down by considerable amounts.

So, first, thinking you may be particularly interested in learning something of the Securities and Exchange Commission's regular market surveillance work, I will discuss it briefly. The Commission observes market conditions so as to carry out the Congressional mandate against the types of abuses — manipulation, rigging, pools and the like—that were typical in the stock market before the Commission was created.

The Commission has in effect various rules directly regulating trading on exchanges, and the exchanges themselves have many more self-policing rules and procedures.

For example, the Commission has in effect a rule covering the prices at which short sales may be effected on an exchange which generally prevent short sales on a declining market.[1] This serves to discourage "bear raiding." Our rules also prevent persons engaged in the distribution of a security from paying other persons to solicit purchases of securities of the same issuer on an exchange except under specified conditions.[2] The Commission recently adopted rules dealing with the stabilization of securities to facilitate distribution. These requirements, like the general antimanipulative standards of the statute,[3] operate to prevent persons engaged in distributing a security from creating active trading or raising the price in order to facilitate a distribution except subject to requirements of disclosure and other controls which operate to prevent deception or unfair advantage being taken of the buying public.

In addition to these specific controls, the statute and the Commission's rules prohibit the use of manipulative or deceptive devices and contrivances in connection with the purchase or sale of securities.[4] Under these requirements it is unlawful for any person to effect a series of transactions in any security creating actual or apparent active trading in the security or raising or depressing the price for the purpose of inducing the purchase or sale of the security by others.

Rule Against Manipulative and Deceptive Practices

The Commission enforces this prohibition of manipulative and deceptive practices in a variety of ways. We inspect the books and records of brokers and dealers and our inspectors, among other things, review transactions recorded in such books in the light of anti-manipulative standards. We investigate complaints coming to us from the public, from customers and from brokers and

Continued on page 46

*An address by Chairman Armstrong before the Southeastern Group of the Investment Bankers Association of America, White Sulphur Springs, W. Va., Oct. 29, 1955.

1 Rule X-10A-1.
2 Rule X-10B-2.
3 Securities Exchange Act, Sections 10(b) and 15(c).
4 Rule X-10B-5.

Candidates Wanted: Ins. Young Men of Year

Once again the Insurance Committee of the Youngmen's Board of The Trade, Inc., of New York City, takes pleasure in announcing it is looking for candidates for the "1955 Insurance Young Men of The Year" awards, a project which is undertaken annually by this committee. Chairman of the Committee, James L. Hazelwood, Krebs & McWilliams Agency, Aetna Life Insurance Company, extends a hearty invitation to all insurance executives and personnel directors to submit names of candidates for the "Insurance Young Men of the Year" designation on or before Monday, Nov. 28, 1955. Names should be sent to Chairman Hazelwood or to any member of the board's selection committee: Fred O. Comstock, Jr., Vice-Chairman, John C. Weghorn Agency; David Pearson, Treasurer, American International Underwriters; George Bruce, Insurance Committee Chairman, C. J. Reid & Co., Inc.; Guy Hill and Charles K. Bair, Atlantic Mutual; Fernand Barauch, Home Insurance Company; John Diefendorf, Home Office representative, Aetna Life Insurance Company; Alan Baker, Insurance Society of New York; and William H. Thomas, Aetna Insurance Group; or to the Board's Administrative Secretary, Miss Jean McGarry, 291 Broadway, New York 7, N. Y. (BArclay 7-9494).

James L. Hazelwood

Qualifications for Awards

These annual awards are designed to give well deserved recognition to young men who are potentially the future leaders of the insurance industry. To qualify for the awards nominees must be employed in New York City, have three years in the business, and must be between the ages of 21 and 36.

These awards in the form of testimonial scolls will be given to the young men from various segments of the insurance industry who are best qualified and who best exemplify the true representative spirit and tradition of the insurance industry. The presentations will be held at a luncheon on Thursday, Dec. 15, at 12 noon in the Grand Ballroom of the Hotel Roosevelt, Madison Avenue and 45th Street in New York City.

James Powell Celebrates 33rd Wedding Anniversary

SAN FRANCISCO, Calif.—Geraldine and James B. Powell (Harris, Upham & Co.) on Nov. 6 celebrated the 33rd anniversary of their wedding. They are the proud parents of a daughter, Frances Lee, and a son, James, Jr. An anniversary dinner was held at the California Country Club.

Phila. Secs. Assn. To Hear

PHILADELPHIA, Pa. — Donald Reichelderfer, Controller of Armco Steel Corporation, will be guest speaker at a luncheon meeting of the Philadelphia Securities Association on Tuesday, Nov. 15, at the Warwick Hotel.

Mr. Reichelderfer's subject will be "Looking Ahead with Armco Steel."

Steel Profits on the Uptrend

By NORMAN W. FOY*
Vice-President in Charge of Sales
Republic Steel Corporation

Stating that steel profits, after many lean years, are only now beginning to reach the level most business corporations have enjoyed, Mr. Foy traces profits in the steel industry as measured by per cent return on investment and as percentage of sales. Foresees continuing increase in demand for steel production, and calls attention to reinvestment of earnings by steel companies to expand production in order to meet rising consumer demands.

Ever since Adam was driven from the Garden of Eden, man has had to work for a living. That was his penalty for violating the law of God. And in many respects it has been good for him. As man came to populate the earth, he learned that only by growing vegetables, or raising animals or by hunting the wild beasts and fowl could he sustain the existence to which he was committed. Eventually he learned how to improve his lot as he discovered or developed new materials and new ways to use them. All this increased his wealth.

Norman W. Foy

With traditional human cleverness . . . and this happened so early in the game that it hadn't time to become a tradition . . . he also learned that by supplying the capital he could employ others to work for him and perhaps earn a profit from their labor.

Basically man has continued to operate in this fashion through the centuries.

Through labor and ingenuity man has continued to produce wealth. Instead of measuring that wealth in bearskins, however, today he measures it in dollars or pounds or pesos.

Meanwhile, our economy has grown more and more complex until the man who could survive and prosper in this country without regard to the lot of his neighbor has disappeared along with the flint-lock rifle. Our basic drives have remained the same, but instead of seeking food and clothing and shelter directly, we seek the means of purchasing those things—money.

To maintain our standard of living—whether we be individuals, or groups of individuals banded together for a common business purpose, such as a corporation, we must take in a little more money than we spend. In the case of the individual, we would call that money savings; in the case of corporations, it is called profits.

That is why I would like to discuss profits with you today—more particularly, steel profits.

Rise in Steel Profits

Steel profits after many lean years are only now beginning to reach the level most business corporations have enjoyed for a long time.

But what are we talking about when we talk about profits? There are two ways of measuring profits—as a percentage of return on investment or as a percentage of sales.

Let us take the figures of the First National City Bank of New York.

In the 16-year period from 1939 through 1954 which covered war as well as peace, which covered both a period of little building and a period of tremendous expansion, the iron and steel industry averaged a 9.2% return on total investment. This compared with a 12.5% return annually by all manufacturing industries. On this basis we ran 25% behind the average for all industry. The over-all average of the steel industry was reduced by the wartime years from 1942 through 1945.

Tracing the figures back even further, we find that for the last 30 years the steel industry has been behind "all manufacturing." Moreover, the figures at which fixed assets are carried on the books are far below present-day replacement costs. Hence, earnings are stated at a much higher percentage figure than would be the case if they were based on current construction or replacement cost.

Net earnings also may be computed as a percentage of return on sales. In comparison with all manufacturing industries, the iron and steel industry fares better in this category, but still does not come up to average.

In the 16-year period from 1939 through 1954, all industry averaged a return of 5.8 cents on the sales dollar while the steel industry averaged 5.5 cents.

A Trend Toward More Satisfactory Profits

Significant in this comparison is the fact that the steel industry in recent years has shown a trend toward more satisfactory profits. In four of the last six years, steel profits by this measurement were a shade better than the average for all industry.

It is obvious, then, from the figures of one of the most reliable banking institutions in the country that the steel industry's profits over the last 30 years were modest indeed. Far from leading the pack, the industry in the past three decades did not earn as much as the average for all manufacturing industry. Yet there was a time when these earnings were labeled as "excess" and taxed as such!

This is a situation which could not, of course, be permitted to continue. Many things were and are expected of the steel industry. As the foundation of our standard of living, steel, and plenty of it, must be provided to meet our people's needs. These needs have shown a steady growth as the trend line of individual consumption showed. This trend line has advanced steadily during the past several decades.

Not only have individual demands increased but our rapidly expanding population has further increased the demands for more steel. Demand not only threatens to outstrip present supply, but promises to continue to grow in leaps and bounds for decades to come.

To get the money needed to build to meet this great demand, the industry either must earn it, or borrow it and then pay the lender interest for the use of the money. Either way our ability to increase production depends directly upon the profit that we can make. A healthy, profitable steel industry, therefore, is our best assurance of sufficient steel to meet the needs of the nation.

Contrary to some opinions, a substantial portion of the steel industry's profits in recent years have gone back into the business.

In only three of the nine years from 1946 to 1954 did the steel industry pay out as much as half of its net earnings as dividends. Earnings were so small during the war years—the four years immediately preceding this period—that they were omitted from our chart. Wars are not profitable for the steel industry, nor would we want them to be. In those years—1942 through 1945—net earnings averaged about three cents on the sales dollar.

In six of the nine years in this period, stockholders received less than half of net earnings as dividends, while from 54 to 62% of net earnings was reinvested in the business.

Certainly that is about as strong a sign of management responsibility to its customers and to the future needs of the country as can be found. The owners of the business—the stockholders—were neglected during the depression and the war years.

Plowing Back Earnings

Nevertheless, when profits subsequently improved and other factors in the production picture demanded, and got, increased shares, the owners plowed large portions of earnings back into the business instead of taking them as dividends.

The money required to provide the tools for a skilled steelworker to make steel is enormous. And without those tools—the furnaces and the mills, the raw materials and the fuels—even the strongest and most skilled worker is virtually useless in the steel business.

When the Fairless Works of United States Steel Corporation was being built, Ben Fairless said that the corporation would have to provide about $90,000 worth of equipment for each individual production worker who would be employed there. That was four years ago. The cost today would be well over $100,000.

But, Mr. Fairless pointed out, that is only the beginning. The company also had to develop new sources of iron ore, open new coal mines, pay for new ships, and so on.

The costs of the steel industry's postwar expansion were, and continue to be tremendous. From 1946 through 1954, the industry invested over $6.4 billion in expanding and improving its facilities. The growth of production capacity was a miracle such as the world had never seen before. Looking back, of course, it now seems that no other step could logically be taken. But when those decisions were made, there was no assurance that anyone would buy the steel produced by the increased capacity, and still fresh in the minds of many executives were the long years when silent mills and idle capacity brought them many sleepless nights.

The biggest jump came with the outbreak of the Korean War. By no means, however, can you minimize the achievements of the preceding four years when the industry averaged a half billion dollars for expansion in each year.

Then came the $3 billion years of 1951, 1952 and 1953. There was some slowdown in 1954, but now again the industry is taking the bull by the horns and building new capacity which will provide the backbone for new schools, new hospitals and new highways which engineers have yet to sketch in on their drawing boards.

Republic Steel's Expansion

The first gun in this new round of expansion was fired just last month when Republic announced a $130 million program which will increase our steelmaking capacity by 16%.

This is a lot of money for our company and immediately raises the question—where is it going to come from?

Let's see how it was done in the postwar years. Of the $6.4 billion spent since the end of World War II for growth, $2.7 billion, or 42% of the total, was available from earnings. The rest of the money had to be borrowed. But you can borrow from banks only if you can assure them that you will be able to pay the money back. You can raise money from individuals through sale of stocks and bonds. But again you can do this only if your company is a profitable business with a record of paying a return to investors.

If the steel industry is to attract the capital and borrow the funds it needed for expansion, then it must have adequate profits.

The importance of adequate profits was emphasized even more strongly in recent weeks when the government announced a change in taxing policies which have their effect on expansion.

The effect of that change was to sharply limit the rapid amortization program for new construction in steel and other industries.

Plants which could be written off in a few years for tax purposes must now be carried on the books for the estimated industrial life of the facilities. The purpose of this law, of course, was to encourage the building of new plants by making financing easier. That is all it did. The government did not give the steel industry one red cent of capital toward the construction of a new plant. Rapid amortization did not even apply until the plant was built, and, as you all know, is of no benefit unless profits are realized.

Once the plant began operating, however, the law permitted the owners to write off their investment at a more rapid rate than would normally be allowed. The net effect of this did not necessarily mean a reduction in tax payments but at most a postponement of these payments. When the rapid amortization period ended, the company's tax payments increased over what they would have been.

No matter how the problem is defined, the fact remains that it always has been and still is management's responsibility to make the decision for or against expansion and then raise the capital required to finance it.

The Debt Structure of the Steel Industry

In the postwar years the industry took the gamble of expansion and paid very heavily for it. The steel industry added 37% to its steelmaking capacity between the start of 1946 and the end of 1954. By the end of 1954, steel's long-term debt had risen to a level 207% above the debt burden which the industry was carrying at the end of 1945. This, you will note, is more than five and one-half times the percentage increase in capacity. Except for 1953, the industry's debt rose steadily in the postwar period until it reached approximately $1.5 billion at the end of 1954.

The tremendus rise in long-term debt highlights one of the most important factors in steel expan-

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*An address by Mr. Foy before the Drop Forging Association, Chicago, Ill., Oct. 27, 1955.

LETTER TO THE EDITOR:

Men Eminently Qualified for President If Eisenhower Retires

Pending the outcome of President Eisenhower's personal desires, Mr. Wilson draws a sympathetic picture of the President's physical condition and political future, reciting record of his services to our country and to mankind and emphasizes his concilitory efforts to establish Peace on Earth. Believes President Eisenhower's wishes regarding a renomination should be respected in the event he desires to be relieved of responsibilities for health reasons. Sees John Foster Dulles, Secretary Wilson, Secretary Humphrey, Secretary Weeks, Supreme Court Justice Earle Warren and others as being well qualified to be Eisenhower's successor.

Editor, Commercial and Financial Chronicle:

Much has been said these past six weeks about the possibilities and consequences of President Eisenhower's unfortunate illness and his possible retirement from political life when his present term expires. It is almost conceded on every hand that his personal popularity, and a successful Administration, make him the best asset of continuing the Republican Party in power for another four years.

Alexander Wilson

President Eisenhower's Personal Charm and Capacity

His homespun qualities, his modest and unassuming manner and his business moderation have endeared him to all sorts and condition of men in this great country of ours regardless of party affiliations and ties. He is generally regarded by the electorate as typically American, a type of President such as we have not had in the White House for many a day.

His varied experience with our War II allies and other foreign nations and his familiarity with their problems has fitted him in an unusual way for world leadership and the pursuit of a peaceful solution of the harrowing cold war or a future World War III.

His critics have to admit that President Eisenhower's personal qualities of heart and mind and his acknowledged capacity and ability as the head of the Allied and American armies was successful in delivering Europe from the strangling clutches of Hitler and Mussolini. Indeed, Eisenhower's selection as Commander-in-Chief of the Allied Armies was another historic occasion when and where the right man was found to meet a world crisis and a tragic period in the world's history.

It would seem that as we appraise President Eisenhower's life and public services, he has richly served his country and mankind, without having to undertake another strenuous job of leading the Republican Party to victory again and of spending the autumn of his life steering the Ship of State through four more years of international difficulties which are still fraught with many dangers to our country and to the world.

The writer thinks that President Eisenhower's recent heart attack is Nature's clear warning to him and the nation, which loves him so well, that the time has arrived when party persuasion and cajolery should be abandoned in deference to the President's own wishes if he should choose to retire to private life and to a well earned rest on his farm at Gettysburg during the remaining years of his life.

But politics and political parties can be ruthless in their demands on our country's idols and heroes and especially when there is an election to be won and a horde of party officeholders to be continued in office.

Can Another Republican Win the Election?

To assume that the Republican Party cannot win the next election without renominating Dwight D. Eisenhower is to assume that there is no man big enough today in the Republican Party to succeed him now, which is like saying that this country will never again see another Washington, Jefferson, Lincoln, or a Robert E. Lee when the country in truth is actually bursting during the present exigency with capable Presidential candidates.

John Foster Dulles Well Fitted For the Job

For a Republican candidate, we need not look any further than President Eisenhower's Cabinet where my first choice should properly be the Secretary of State, John Foster Dulles, who has handled our international relations with such distinguished ability, recalling the prescience and diplomatic skill of a John Hay, Benjamin Franklin, Richard Olney, Elihu Root or Charles Evans Hughes in their hey-days.

No man is more familiar with President Eisenhower's policies or peace objectives than John Foster Dulles, who has specialized all his life in the study of international law. Without going any further than President Eisenhower's Cabinet, I have three other choices of men of Presidential calibre in Secretary Charles Erwin Wilson, Secretary George M. Humphrey and Secretary Sinclair Weeks, all heavyweights and men of Presidential stature.

In the event that John Foster Dulles cannot be prevailed on to lead his party at the next election, or Secretary Wilson or Secretary Humphrey or Secretary Weeks do not respond. Supreme Court Justice Earle Warren should be drafted to serve in the highest office within the gift of the people. Then there is a basketfull of aspirants in the State of California alone and other eligible men in the Senate who have plenty of background to win on the Eisenhower record of peace and prosperity.

Favorite Sons Who May Receive Consideration

The favorite sons of various States who will be mentioned as Presidential possibilities before the Republican Convention meets in 1956 will very likely include: Ex-Gov. Tom Dewey (N. Y.); Henry Cabot Lodge; Harold E. Stassen; Gov. William G. Stratton (Ill.); Gov. Christian A. Herter (Mass.); Gov. Goodwin J. Knight (Calif.); Senator Knowland (Calif.); Senator Saltonstall (Mass.); Senator Styles Bridges (N. H.); John W. Bricker (Ohio) and Senator Dirksen (Ill.).

Sen. Byrd Ranks High for Democratic Nomination

On the Democratic side, Senator Harry Flood Byrd would make an admirable candidate, possessing as few men do, a wide and practical knowledge of national affairs and the fundamental requirements necessary for a continuance of the country's prosperity and business confidence.

Adlai Stevenson, while a brilliant and versatile gentleman, has since his former candidacy lost a lot of caste for his levity and humorous but witty political rhetoric whereas men like Senator Harry F. Byrd or Senator Walter F. George seriously would meet the day-to-day measurements of the office with sagacity and foresight.

Age Is No Barrier to Nomination

There should be no hestiation in nominating any man such as John Foster Dulles on account of his mature age (67) when it is recalled that such world statesmen as Winston Churchill, the late Georges Clemenceau, Herbert Hoover 79, Bernard M. Baruch 83, Pope Pius XII 78, Toscanini 86, late Mr. Albert Einstein 75, and Chancellor Konrad Adenauer at 78, consummated their highest accomplishments at older ages than Mr. Dulles'.

It is quite possible that some political observers may conclude that President Eisenhower could honorably accept a renomination provided he is not totally incapacitated, with John Foster Dulles as his running mate to succeed him and then ethically resign sometime after his second term begins, to join the country's "Elder Statesmen": Bernard M. Baruch and ex-President Herbert Hoover.

What Is the Order of Presidential Succession

It is not generally known that the order of Presidential succession in the present situation would be: (1) Vice-President Nixon; (2) the Speaker of the House; (3) the Secretary of State; (4) Secretary of the Treasury; (5) Secretary of Defense; (6) Attorney General; (7) Secretary of the Interior; (8) Secretary of Agriculture; (9) Secretary of Commerce; and (10) the Secretary of Labor. The Secretary of Health, Education and Welfare would not be included in the Presidential succession as established by Act of Congress approved July 18, 1947.

ALEXANDER WILSON,
Writer on Political
Subjects and
International Problems

Millburn, New Jersey
Nov. 7, 1955

Trust Co. of Georgia Promotes Forestry

ATLANTA, Ga.—The board of directors of the Trust Company of Georgia has appropriated $50,000 to be used during the next two or three years to promote forestry and the development of forestry resources in the State of Georgia. An elaborate brochure discussing the aims of the program and the forestry resources of the state has been prepared by the institution.

Phila. Bond Club Luncheon Meeting

PHILADELPHIA, Pa.—A luncheon meeting of the Bond Club of Philadelphia will be held on Thursday, Nov. 17, 1955, in the Ballroom of the Warwick Hotel. Dr. Cyril F. James, Principal and Vice-Chancellor of McGill University, Montreal, will address the meeting on the "Responsibilities of Economic Leadership."

Why Does the United Nations Fail to Win Public Confidence?

By WILLIAM A. ROBERTSON
Member of New York Bar

Asserting the price the United Nations demands of a member, i.e., the price of its own personality, is something no respecting country will pay, Mr. Robertson says this price means unconditional surrender of a nation's self. Sees fallacy in the "One World" concept, and concludes "we are endangering our own best things—intellect, resourcefulness, the quality of know-how," all of which constitute the spiritual and personal element in a nation.

The United Nations was launched 10 years ago. It followed the old and disappointing League of Nations. It was to be far more efficient; it was to stop war. This was its great drawing card. For some reason it does not win the confidence of a large part of the American people. Why is this? A plain statement of facts will help to explain.

The price which the United Nations demands of a member is something which no self-respecting country wil pay. That price is its own personality.

In the hearts and minds of everyone there is a deep-seated feeling of his own personality,—his individualism; and this feeling extends to his own country. We are jealous of ourselves as individuals, and we are proud of the individualism and independence of our beloved United States. Our own America is everything to us, and is far above the rest of the world in its claims upon us, and its command of our affections. Our country is **ourselves** — our own distinctive personality projected upon the canvas of world life and thought.

This feeling is not mean or selfish: far otherwise. True nationalism is to a country, what self-respect is to an individual. The absence of either spells a complete loss of character and standing. Such loss and surrender are just what the United Nations demands of its members as the price of membership. This must be paid, if the member means to fulfill his obligations in action, when demanded.

Exactly What Does the United Nations Ask a Member to Surrender?

The Security Council of the United Nations is the part of it that is clothed with real power to act. The General Assembly is little more than a glorified debating society; and one of its high officials is reported to have said substantially this.

Look closely at the Charter of the United Nations, especially at chapters 5, 6, 7 and 12. Scrutinize the sections contained in these chapters. Realize what the Security Council is authorized to do, if it sees fit.

By Article 41 of chapter 7, when a member nation has a dispute or misunderstanding with other nations, the Security Council may, "decide what measures not involving the use of armed force are to be employed to give effect to its decisions." It may call upon member nations to apply such; and "these may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations." Control over these matters of vital importance vests in the Security Council.

By Article 39 of chapter 7, the Security Council "shall determine the existence of any threat to the peace, breach of the peace, or act of aggression," and may decide "what measures shall be taken in accordance with Articles 41 and 42 to maintain or restore international peace and security." Article 42 goes even further; for the Council, if it thinks necessary, may "take such action by air, sea, or land forces as may be necessary to maintain or restore" peace. "Such action may include demonstrations, blockade, and other operations by air, sea, or land forces of members of the United Nations." Article 45 requires members to "hold immediately available national air-force contingents for combined international enforcement action." "The strength and degree of readiness" of the contingents and plans for their action are to be "determined" by the Council within the limits of Article 43. Article 48 says that actions required to carry out the Council's decisions must "be taken by all the members of the United Nations," or only by some of them, as determined by the Council. Article 43 provides in paragraphs 2 and 3, that agreements to "govern the numbers and types of forces" are to be negotiated as soon as possible "on the initiative of the Security Council," to be "concluded between the Security Council and members," or groups of members, and "shall be subject to ratification by the signatory states in accordance with their respective constitutional processes."

This Means Unconditional Surrender of a Nation's Self

Ponder this with care. Look the facts in the face. There must be an unconditional surrender of almost everything that a nation holds dear in the way of its own liberties and authority,—its right to make war or have peace. The people are to be stripped of their means of offense and defense. If the whole world were included in the United Nations, the welfare of untold hundreds of millions would be within the power of 11 persons, for that is the number of individuals composing the Security Council.

Who is ready for this?

To Whom Is This Abject Surrender to Be Made?

What is the composition of the entire body to whom this tremendous surrender must be made? What claims upon our confidence or credulity does it possess? "The prudent man looketh well to his going," is advice urged upon us by the Book of Proverbs (ch. 14, v. 15), and is supported by our own experience.

The United Nations is composed of 60 members or countries. The complete list is best appreciated, if it is broken up into groups, showing to what parts of the earth the various members belong, as follows:

The Membership of the United Nations Shown According to Countries

Asia (14 in all)

Afghanistan; Burma; China; India; Iran; Iraq; Israel; Lebanon; Pakistan; Saudi Arabia; Syria; Thailand (Siam); Turkey; Yemen.

Europe (16 in all)

Belgium; Byloe Russia; Czechoslovakia; Denmark; France; Greece; Luxemburg; Netherlands; Norway; Poland; Sweden; Ukrain-

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The Next Twelve Months—What Can Happen

By GEORGE C. ASTARITA
Boettcher and Company, Colorado Springs, Colo.
Members, New York Stock Exchange

Stock market analyst discusses the pros and cons regarding the business outlook for the coming year, and concludes that if one is to adopt a neutral attitude toward the immediate future, he should not expect any large advance in the stock market on top of the rise already enjoyed. Looks for a long period of fairly quiet markets within a narrow trading range.

George C. Astarita

With our economy booming greater than ever before in history and virtually all the world also enjoying unprecedented prosperity, the great debate as to whether it can last is being waged. Optimists and those lulled into complacency by a long upward trend contend that this is a new era in which the business cycle has been conquered and, therefore, good times will last indefinitely. Pessimists and believers in the "classic pattern" say that booms breed busts and we are nearing the end of this one. By the "classic pattern" is meant a boom during war, followed by three years of adjustment, and then a record boom for ten years or so to satisfy the backlog of needs created during the war. That mythical ten-year period is now about due to expire. With as little prejudice as possible, I shall endeavor to analyze the arguments of both sides and draw some of my own conclusions.

First of all, and most important, it can be said that if the pessimists are right and we do go into a tail spin, our nation will suffer a social and political revolution of no mean proportions and in addition probably lose most of the remaining free world to Communism. For this reason, if nothing else, the optimists have on their side all the resources and power of the greatest nation in the world. So far as the possibility of another 1932 goes, that argument in itself precludes such a recurrence. Depressions need not be so severe to hurt, however, and therefore, the possibility of a sizable but not drastic business decline will be considered.

If the "classic pattern" is to be prevented, we had better stir our stumps because we have had nearly a ten-year boom since the end of the war. In the past, technological development and a rapid growth of population have not prevented workings of the business cycle and certainly not operation of the "classic pattern." These are powerful factors for long-term growth but of little consequence in combating a decline resulting from boom excesses. If we have gone to excesses in satisfying pent-up demands and in doing so have expanded installment and mortgage debt to the breaking point, we shall be in for trouble. Without knowing the answer, it can be pointed out that these debt factors are not high relative to the size of the economy and present level of personal income but they would be high were the economy to suffer a relapse. For this reason, government officials, during recent months, have been tightening credit in the hope of prolonging good business. To the extent that brakes are applied during the boom, to the same extent will props be available to stem the tide should the trend be reversed. All of this raises the question of whether the government can control business cycles.

Optimists claim that ours is a managed economy and that government controls — mainly those dealing with credit—will smooth business cycles to the extent that good business will always exist. Pessimists say that the Federal Reserve controlled money in the 1920's. To be realistic, we should acknowledge that monetary controls of the government today are considerably broader, starting with the guarantee of bank deposits and ending with the determination of margin requirements. For this reason, therefore, and in so far as monetary controls can serve to keep business prosperous, the optimists have the better of the argument. More important, however, is the monetary experience gained during the last 25 years and the willingness to use promptly all available controls. During the mild recession of 1953-4, such controls served to bolster the economy and to prevent what might have been a more serious business decline. Now monetary restraints are being applied to prevent a boom and bust. In addition, built-in stabilizers serve to cushion business recessions and we know these to include: employment insurance, old age insurance, farm crop supports, mortgage insurance and the tremendous expansion of private retirement funds. Public works, now blueprinted, are ready for instant execution and military expenditures can be expanded or contracted at will.

High wages and the redistribution of purchasing power brought about in the past two decades will do much to sustain business and along with technological development and rapid population growth will produce a considerably larger economy in the years ahead. An economy twice the size of the present one 20 years hence is a good probability. In the meanwhile, however, pessimists say, and rightly so, that high wages are important only in relation to the numbers employed. They cite efforts of the Roosevelt Administration to stimulate business by increasing consumer purchasing power and the dismal failure incurred in that period. Actually, pump priming failed because punitive taxation was being imposed concurrently with the result that business refused to expand facilities and in so doing, a valuable economic prop was lost. Provided government will continue to realize the necessity for encouraging business, present high wages will buttress the economy against any sharp decline.

Then there exists the argument that our productive capacity, because of record expenditures since the war, is now overbuilt and that, therefore, heavy industry must suffer a set-back. This would throw out of work heavy construction employees whose lack of purchasing power would adversely affect home and commercial building, the automobile industry and others with the result that the whole economy would collapse. To this argument, the optimists answer that we are not overbuilt in productive capacity and that the feverish activity in that field during recent years has served only as a catching-up process to compensate for a serious deficiency which has existed for 30 or so years. Also, future population growth should justify continuance of the present level of heavy industry expansion. If we are nearly caught up in production facilities, then, despite population growth, it would hardly seem probable that productive capacity will continue to expand at the same rapid rate. Rather, a leveling off is to be expected and, therefore, an expanding impetus will have been removed. This factor, therefore, should be regarded as more stabilizing than dynamic, at least for the next few years.

Finally, history is on the side of the pessimists. Recessions have occurred more than 20 times in the past 100 years — some mild and some severe, but all following upon the heels of booms. The "classic pattern" has operated after every major war. I must conclude that business cycles will not be wholly eliminated until such time as human nature shall be changed, because human greed creates excessive inventories which in turn ferment business adjustments. I do think, however, that government controls over credit, the necessity for maintaining a strong defense against Communism and the redistribution of purchasing power now present in our economy will serve to prevent a serious depression. Because inventories are now not excessive, there would seem to be little likelihood of a business reversal in the near future. A change of administration, however inflationary the new one, might undermine confidence to the point of provoking a sharp and short-lived recession but technological development and population growth, both of which factors work for us while we sleep, should shortly thereafter take the economy to new heights. Perhaps the best approach to assume now is one of mild confidence tinged with a degree of caution.

So far as the stock market is concerned, if one is to adopt a fairly neutral attitude toward the economy for the next 12 months, he should not expect any large advance on top of the large rise already enjoyed. Only the outside chance of President Eisenhower's candidacy or the nomination of his brother Milton could take the market to new highs in the near future. Even this eventuality would produce a rise of frothy character and only the nimble trader would be able to capitalize upon it.

Arguments pro and con the market embrace the relationship of prices to assets, earnings and dividends. With respect to assets and dividends, the market is historically high and the relationship to earnings is average. Earnings, however, could be adversely affected by only a slight downturn in over-all business and, therefore, it can be said that the props supporting the market are not unshakeable.

It is true that this is largely a cash market with institutional funds supplying strong support on all reactions. For political reasons, individual income taxes will probably be reduced next year. Inflation at the moment is gaining headway. Earnings are tending upward and dividend increases are becoming commonplace. Investment funds are still plentiful. All of these factors, however, must be regarded in the light of a tremendous increase in stock prices during recent years. The bargains of yesterday are no longer available and consequently investment at this level assumes greater risk.

Consideration of all salient factors involved leads me to conclude that neither a bullish nor bearish approach need be adopted. Rather, I look for a long period of fairly quiet markets within a narrow trading range. Because, however, the upside potential during the next 12 months seems rather limited, a policy of upgrading portfolios as a precautionary measure is indicated. I am not a believer in holding cash when the long-term future is as bright as now and, therefore, I would seek defensive issues possessing growth possibilities such as Coca-Cola, Woolworth and Columbia Gas, to name a few. Stocks harboring favorable developments always merit consideration. In short, the investor should not buy leading stocks hoping for a general market rise on top of that already witnessed, but investment in defensive issues and special situations should reap rewards.

The Railroads Must Carry On!

By WILLIAM T. FARICY*
President, Association of American Railroads

Spokesman for railroads, stressing need for improved facilities, points out railroads in last decade have spent more than $1 billion annually on capital improvements and new equipment. Sees difficulty in obtaining needed capital to compete with other forms of transportation, and lists the sources of capital funds. Advocates more freedom for railroads in rate making.

In the 10 years—1946 through 1955, both inclusive—the railroads have spent nearly $11 billion in capital improvements. They have spent $3,300,000,000 for some 21,500 new locomotives — mostly diesels. They have spent $3,000,000,000 for 580,000 new freight cars. They have spent more than a billion dollars on other types of improved equipment. They have spent another $3,300,000,000 on improved roadway and structures — such things as electronically equipped classification yards and some 14,000 miles of new centralized traffic control.

William T. Faricy

It has not been easy to find the funds for such an improvement program—but the very things that have made it difficult have made it absolutely necessary that it be done. For in these same 10 years, the average hourly wage of railroad employees has more than doubled and the average level of prices of materials and supplies has very nearly doubled. Combined, these two factors which are responsible for more than 90% of railroad oeprating expense have more than doubled in the past 10 years. In contrast, the increase in freight charges as measured by the average revenue received for hauling a ton one mile has been only 45%. The gap between rising costs and lagging revenues could not have been bridged if the railroads were still operating with their 1946 plant and equipment. To bridge it, there had to be better facilities, and the better methods which better facilities make possible.

But even with the tremendous expenditures which have been made in the past 10 years, the railroads face further tremendous needs for expenditures. Indeed, there have been competent estimates that if the railroads are to meet to the full the needs of a growing nation, in war as in peace and are to take full advantage of the technological changes which will make possible ever better service at the lowest possible cost, they could well spend on capital improvements in the next 10 years twice as much as they have spent in the 10 years just behind us.

*An address by Mr. Faricy before the National Association of Shippers Advisory Boards, Pittsburgh, Pa., Oct. 13, 1955.

$1 Billion of Capital Improvements Annually

But if the railroads are to do no more than continue the pace of progress of the past 10 years, they still must find each year considerably more than one billion dollars for capital improvement. So it becomes of moment to see how, and where, the funds have been found during the past decade.

The source which first and most naturally comes to mind is the depreciation and retirement charges. That's why such charges are made—to furnish funds to replace plant and equipment when it is no longer suitable for service. But with the increase in price levels, depreciation and retirement charges on roadway and equipment now furnish less than half the funds needed for replacement—so we find that in the past 10 years depreciation and retirement charges have averaged only $470,000,000 a year, or less than 44% of the average year's capital expenditures.

To cover partially the remaining 56%, the railroads have increased their outstanding equipment debt in the past 10 years by an average of $180,000,000 a year, or nearly 17% of the outlay for capital improvements.

Withdrawals from working capital have averaged $80,000,000 a year — or 7.5% of the annual outlay for improved facilities. The remaining $340,000,000, or nearly 32% of the annual capital expenditure, was financed from retained earnings which were withheld from funds available for dividends, and from miscellaneous sources, including the sale of securities other than equipment obligations and disposal of company assets such as lands, buildings, and investments.

That is where the average capital expenditure program of $1,070,000,000 for each of the past 10 years has come from. But I doubt if expenditures for the next five years—that's as far ahead as I am going to try to look—can be held to such a figure. For one thing, the increase in the level of wages and prices has been such that just to do what was done in the past 10 years would cost an average of $1,200,000,000 per year during the next five years.

Freight Car Situation

Then, too, there is the need for improvement in the freight car situation — a situation which is troublesome to shippers and railroaders alike. In the year 1954 the railroads had enough freight cars to handle the business offered with an average daily surplus, in fact, of 90,000 cars. But since Feb. 1, 1954, when freight car ownership reached the high point of the last 18 years, retirements have exceeded new installations by approximately 75,000 cars—and the railroads have not had enough cars to handle the basic business of 1955. To overcome the present deficit in freight car ownership will require the installation of an average of 75,000 new cars in each of the next five years — and that means about $525,000,000 a year in capital outlay.

The next largest item of expenditure is that for roadway and structures, including terminal yards, new signals and communications, and the like. If no more is done than has been done dur-

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Automation and Employment

By HON. JAMES P. MITCHELL*
Secretary of Labor

After discussing the definition of automation and its applications, Secy. Mitchell cites several cases of installation of electronic and other automatic devices, and points out only larger companies producing standardized goods for an expanding market have been able to use the more advanced types of industrial machinery. Holds effects of technical advances has been a decrease of unskilled workers and rising number of semi-skilled and skilled workers, but contends there is not yet sufficient data to determine whether hardships to specific groups result from technological development. Concludes, "we do not foresee any overwhelming adjustment problems."


James P. Mitchell

The several definitions which have been applied to the word automation before this committee and elsewhere seem to indicate that the word itself defies accurate definition. I believe the reason for this is that the word carries with it two aspects, one of which is subjective and, therefore, varies from individual to individual. The other is technical and, therefore, requires study and attention.

Taking the first aspect of the word, we find that in some ways automation means precisely what each individual man on the street thinks it means, for to a great extent it is a word which produces various sorts of fears in various sorts of individuals—fear of change, fear of technology itself, fear of displacement, fear of unemployment, fear of machines, fear of science in general. In this sense, automation is nothing new, since these same fears have been with us in one form or another ever since the first cave man resented fire.

I am reminded, in fact, of the hearings held by the House Labor Committee less than 20 years ago. The discussion centered around a resolution that would have required the Secretary of Labor to draw up a list of labor-saving devices and a parallel estimate of the number of people probably unemployed as a result of their use.

So the present discussion is not within an unfamiliar context.

Taking the second aspect of the word, the technical one, we find that in a general way the word represents technological change, which surely is nothing new. It represents a movement certainly as old as the industrial revolution and probably older. Now, technological change varies, as we all know, in rate and degree. Its latest manifestation, coming as it has in a favorable setting of growth and prosperity, has appeared with relative swiftness and in some ways spectacularly. It has come with such devices as complex automatic systems, electric controls and regulators, feedback systems, transfer machines, conveyors and the like. It has been attached to many self-regulating processes which have reduced the number of workers needed to perform a given job. When you get down to specifics there is some argument about the precise definition of this second aspect of the word. However, we can all agree that it is the latest development in the progress of industrial technology, the latest step in the long search for ways to replace human energy with mechanical energy.

*Statement by Secy. Mitchell before the Subcommittee on Economic Stabilization of the Joint Committee on the Economic Report, Washington, D. C., Oct. 24, 1955.

Application

Our preliminary studies in the Department of Labor indicate that there is no reason to believe that this new phase of technology will result in overwhelming problems of readjustment.

Some Examples of Electronic Applications

For example, the Department recently completed a study of a large insurance company which has installed an electronic computer to process some of its records. The company (like all companies that can best utilize the new technology) is an expanding one. Since it takes a long time to activate the complex new equipment, the company has been able to plan carefully the reassignment and retraining of the workers affected, so that no one will be laid off. The company has transferred some employees to other types of work and retrained others for work on the computer itself. To operate the high speed electronic computer a number of people were selected from the staff for training and assignment as programmers and analysts and operators. New jobs that never existed before electronics was introduced were created elsewhere in the company. Even after installation of the electronic data machines, the company faces a clerical labor shortage because of the ever-expanding volume of business. It is still going to employment offices for female clerical help for office work, as it did during the days of older technology.

We found a somewhat similar situation in a radio and television manufacturing company that had introduced printed circuitry and automatic assembling machinery. The company eliminated a number of hand assembly jobs in which women worked, and set up a number of higher paid jobs for operating machinery. No one, however, was laid off on account of the change. All job readjustments were made without disturbance, according to the seniority and working rules of the union agreement. The company timed the installation for a period of seasonal expansion and company growth.

These two case studies are being submitted to the committee. These examples, of course, are not necessarily representative of all industry or business. We are planning to prepare additional studies of other firms and industries.

So far our studies show that only large companies producing standardized goods for an expanding market have been able to use the more advanced types of industrial machinery. Operating in a context of high business activity, with near-full employment, and indeed overtime in many industries, with widespread demand for products ranging from consumer goods to new factory buildings, these companies have been able to keep to a minimum the dislocation which has sometimes accompanied technological change in the past. Some fear that the diffusion of automatic production will be too fast. Others believe, however, that it will be introduced only gradually in view of its high cost and the long period of time needed for custom building and installation. History would indicate that broad technological changes are seldom abrupt, but rather that they take place in stages, affecting different industries at different times.

The Effects

The effects of technological developments, including the one termed automation, can be seen pretty clearly by looking at the historical record.

In the past technological improvement has meant: unskilled workers have decreased, semi-skilled workers have moved up into skilled areas, and skilled workers have approached the status of technician. In 1910, for instance, unskilled workers represented 36% of the labor force. Five years ago they represented only 20%. Semi-skilled workers from 1910 to 1950 rose from roughly 15% to 25%.

We can expect these trends to continue under the stimulus of improving technology.

Unskilled workers are leaving the farm, the building site, the mine and other activities. Our current high level of wages and employment indicate that they are successfully making the transition to higher skilled jobs and better pay classifications.

Improvements in industrial technology will reduce the number of boring, routine and repetitious jobs. And, I believe we can expect that this will move all workers to a higher level of attainment and self-development. We can expect to see increased demand for workers with a high sense of responsibility and versatility, for mathematicians, engineers and technicians of all sorts, for scientists and researchers. The worker of the future will require better basic education and better training than he gets now.

Our knowledge is not at present complete enough to determine whether or not there will be hardships to specific groups as a result of modern technological development. As I said at the outset, we do not foresee any overwhelming problems of readjustment. However, the application of new machinery to clerical, operative and assembly type jobs may result in difficult transitional problems for women, many of whom are employed in these kinds of occupations. This is one of the areas which the Department of Labor is studying at present.

Perhaps the most sensitive indicator of the over-all rate of adjustment which is forced on the economy by technological change is the index of industrial productivity. Studies for manufacturing, where newest industrial techniques are most utilized, indicate that the post-war trend of productivity has been somewhat irregular—perhaps a little higher than the previous long-run trend, but not higher than we have experienced in periods of comparable length in the past.

Another effect of technological change can be seen in those areas of our country where we have pockets of unemployment. While this problem involves many other factors besides technological change, it is part of the whole picture, and certainly every effort should be made to prevent an increase in the number of workers stranded in such distressed areas.

This is a problem which must be met by management, labor, government, and perhaps most importantly by each individual community. Like other problems arising out of technological advancement, it indicates the need in our country for the development of every worker to his fullest potential. As our scientists devise new methods and techniques in industry, so grows the opportunity for every worker to move to higher levels of attainment and individual fulfillment.

Preliminary studies made by the Department indicate that we have a shortage of skilled workers in this country today. As industry grows more complex, this shortage is bound to increase unless adequate training programs are set up. We must make sure that we do not waste our manpower, our most valuable resource, as we have wasted our other resources.

In this connection, we cannot afford discrimination in the utilization of the skills of any group. We cannot afford to waste the potential skills of six million Negroes. Neither can we afford to neglect the skills, aptitudes and experience of mature workers over 45 years of age.

Every effort must be made to prepare the American worker for the changes which lie ahead. Certainly in this respect education and training are of primary importance. And when a worker is qualified, certainly every effort should be made to ensure his fullest utilization regardless of his age, his race, his religion or his place of national origin.

Program

There is no disposition within the Department of Labor to minimize the problems that might be created by accelerated technological development. At the same time we feel there are abundant grounds for optimism and confidence about the future.

Science and invention are constantly opening up new areas of industrial expansion. While older and declining industries may show reducing opportunity, new and vibrant industries are puushing out our horizons. This is the story of industrial America, and will continue to be.

We are learning, too, that consumer desires are expansible. The new products emerging from industrial research laboratories are creating the demand upon which entire industries may be erected.

The prospect of such expansion does not lessen our concern for the individual worker who might be displaced. The Department of Labor has a deep and abiding interest in our changing technology. While the technical aspects of such changes can be described in considerable detail, the human aspects are often difficult to delineate.

We are making, as I said, case studies of plants that utilize the new technology. This program is very small this year, but we hope to expand it.

We are also initiating a series of community readjustment studies, selecting towns where there has been a reduction in employment opportunities. We hope to determine the human, as well as technical, aspects involved in such areas and to investigate those practices that were not successful in meeting the community's problems.

We are giving close study to the development of the skills of the work force, through a pilot program authorized this year by Congress. In this field we are broadening our long-standing apprenticeship programs. The problem of the older worker who is particularly vulnerable to the effects of changing technology, is the target for a study just begun.

I want to mention in connection with these tasks being undertaken by the Department of Labor the increasing activities in the States. At the local level, where technological change is first felt, it is very important to have an alert and effective system of employment offices, and a strong and well-administered program of unemployment compensation. These offices perform many important functions. First, they provide an alarm system by which to gauge local displacement. Secondly, they provide an apparatus for the relocation of workers. The unemployment compensation program furnishes income insurance for workers that cannot find work immediately. The States this year substantially increased the effectiveness of these programs.

Conclusion

I would like to leave you with this thought: In the past the developments of industrial technology have always brought with them a higher standard of living. There is no reason to suspect that this will not be so in the future. Indeed, I have every reason to believe that the workers of this country will continue to receive their fair share of the fruits of their work. Management and labor have reached a degree of maturity and understanding unprecedented in our history, and I believe we can have confidence that they will continue to negotiate successfully their differences at the collective bargaining table.

The industrial relations problems of technological change are always critical ones. Our studies have shown that companies which have installed new automatic machinery with a minimum of industrial relations problems have done so because they considered the problems of the individual worker in making the change. This personnel planning is as essential to modern industry as are the new machines, and I am sure that American management and labor realize this.

Government has a responsibility to help provide the proper climate in which growth can take place, industrial and otherwise. I believe that we are conscious of this responsibility and that we will be able to maintain the present climate in which our country and its people have grown so much and in so many ways.

Continued from page 2

The Security I Like Best

million, to be completed August, 1956.

(3) a new **gypsum plant** twice the size of that operated heretofore in the San Francisco Bay area is being constructed in the same vicinity; cost $5 million, to be completed in the Fall of 1956. The combined capacity will provide enough gypsum board, etc. for more than 32,000 homes per year, with the marketing area to include Northern California, Nevada and Utah.

(4) The present Long Beach **gypsum plant** is being expanded 60%, cost $3 million, additional capacity to be completed in April, 1956.

With its existing and projected facilities it is clear that Permanente is a dominant factor in the cement and gypsum business on the Pacific Coast from the Canadian to Mexican borders, and reaching out over 2,000 miles into the Pacific Basin.

Not only is the West Coast the most rapidly growing section of the United States, but due to the great preponderance of public works such as dams, irrigation projects, etc., the highly motorized population and distance between important metropolitan centers — which means a great need of extensive highway systems—**the per capita consumption of cement in the three Pacific Coast States, amounting to about 2.5 barrels per annum is 50% greater than that for the country as a whole.**

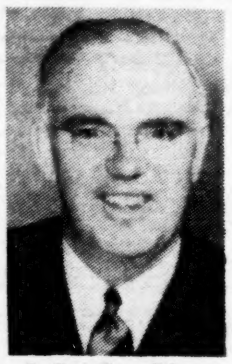
Capitalization consists solely of 2,800,000 shares of capital stock. The stock is traded in the Over-the-Counter market and is currently quoted at about 33.

The Canadian Economic Outlook

By J. DOUGLAS GIBSON*
Assistant General Manager and Economist
The Bank of Nova Scotia

Canadian bank economist, stressing the great influence of the trade policies of the U. S. on the free world, contends the U. S. has ceased to take the lead in promoting freer trade and exchange. Calls attention to Canada's population increase and capital growth, and that nation's need for an expanding world market. Gives credit for much of Canada's advance to U. S. investment and know-how, but says program of disposing of U. S. surplus wheat is aggravating the Canadian export problem. Expresses faith in Canada's ability to adapt her economy to changes in world demands.

Many of you have a long investment experience in a variety of Canadian securities and some of you are very well informed about particular Canadian industries. Because of your specialized knowledge, I am going to avoid detailed comment about individual industries and talk about the broad picture of Canadian development, about some of the influences behind it and also about a few economic problems which concern Canadians. For the truth is that, despite a rather widely held belief in certain quarters in the United States that Canada is a country with no problems, or at least none that need be taken seriously, Canada does have some real economic problems which generate a good deal of discussion and some political heat.



J. Douglas Gibson

However, despite our problems, I must open my remarks by confirming the opinion which you already hold—that we in Canada have been getting along and still are getting along pretty well. The years since the end of the war have been one of the great periods of economic expansion for Canada. You may be surprised to know that we in Canada have had only three major periods of expansion in our economic history. That may be one of the reasons why we are inclined to be a little conservative in assessing our economic future. The first period of expansion, which dated from just before the turn of the century to 1913, was the great period of settlement of our western plains. The second was the "new era" covering the brief years from 1925 to 1929. And the third is the present wave of expansion which dates from 1946.

In terms of the rate of growth, the present period of expansion is about the same as that of the late '20s and somewhat less than during the period prior to the First World War when we were settling an almost empty country. In terms of duration, the present expansion has now lasted twice as long as that of the '20s and we hope it will last even longer than the 16 years of growth up to 1913. In terms of breadth and diversity, the present period of development far surpasses anything in the past, for unlike preceding booms, where one or a few commodities predominated, the present expansion extends to a variety of commodities and has been accompanied by a fairly diversified manufacturing development.

Rapid Population and Capital Growth

While too many statistics are tiresome and difficult to remember, I want to give you two simple figures which provide a pretty good idea of the recent rate of economic progress in Canada. The first is the rate of population growth. In the 10 years since the end of the war, our population has been growing at an average rate of over 2% per year. In the last few years, the rate of population growth has been between 2½% and 3%. Now 2½% per year may not at first sight seem very impressive. But for population growth, it is a high figure. If you look at the recent rates of population growth in other countries, including those in the Far East and Latin America, you will not find many as high as 2½%. The recent rate in India and in Japan is barely 1½%, to name two countries with traditionally high birth rates. The Canadian rate of 2½% compares with the recent American figure of 1¾%.

The second statistic which I hope you will remember relates to the rate of capital expenditure. Since the end of the war, the proportion of the national output which has been going into additions to fixed physical capital, including buildings, machinery, roads, houses and so on, has averaged over 20%. In the last few years, the ratio of fixed capital expenditures to the national output, or the Gross National Product, has been over 22%. This proportion compares with something like 17% in the United States. Though higher ratios of capital expenditure to national output have been recorded recently in Germany and also in Australia in certain years, I doubt if there is any major country which can surpass the Canadian record of capital growth taking the whole 10-year period since the end of the war as the basis of comparison.

The striking thing about the Canadian economy in recent years is, therefore, its high rate of growth and the way in which the high rate has been sustained. In absolute terms, of course, the Canadian business picture does not appear impressive to American eyes which are accustomed to figures running to several hundreds of billions in regarding their economy. Our gross national product this year will be in excess of $25½ billion — a sizable amount by anything but American standards. From a Canadian point of view passing the $25 billion mark is a landmark in our progress. The Gross National Product this year is the highest on record, being some 7% higher than that of 1954 and nearly 5% above that of 1953 which was the former peak year. As a matter of interest, the $25½ billion figure is five times the prewar level in money value and nearly 2½ times the prewar figure in terms of actual physical output. So we have made some very real progress despite the considerable decline in the value of our money.

The most encouraging feature about the current picture is, of course, the recovery from the recession of 1954. The recovery this year has been significantly greater than was anticipated by many Canadian economists, including myself. My most serious error was in underestimating the extent and breadth of the upsurge in U. S. business conditions, which has played such an important part in stimulating Canadian economic recovery, both directly through its effects on our exports and indirectly through its effects on the attitudes of our businessmen and consumers. Largely because of a substantial increase in exports and a renewed wave of capital expansion, the trend has been strongly upward since early in the year.

For a large majority of Canadians, times have never been better than they are today. For some, they are about the same as in the former peak year of 1953. But for a considerable group, including most farmers and some wage earners, they are not as good as they were a few years ago. It is a fact that despite the general prosperity, farm income is down and there is an unemployment problem in some localities arising from a slackening in some types of defense production and from the continuing difficulties of certain industries, including coal mining, primary textiles, farm implements and some other kinds of machinery.

Most Basic Factor: Expanding World Market

In Canada's rapid postwar expansion, the most important and basic factor has been the growing world market for most of the primary commodities which Canada is able to produce in volume —for the products of the mines, the forests, the seas, and many of the products of the farms. The state of the world market for basic commodities is a matter of the greatest importance to Canada. Something over 20% of our national production is exported as compared with only about 5% in the United States. For this reason and because of our related dependence on imports, the level of prices and the general economic climate in Canada are closely geared to external conditions. So when world markets for primary products are strong and expanding, we thrive, and when they are weak and contracting, we have difficulty as we had in the '30s and for a long period of our earlier economic history prior to the beginning of the century.

The outstanding influence in the growing world demand for industrial materials, if not for foodstuffs, has been the great enlargement of the U. S. economy and the consequent increase in its need for industrial materials. The report of a few years ago on the prospective requirements for industrial materials looking 25 years ahead — the Paley Report—though it was written for your own purposes, certainly paints a glowing picture for the development of Canadian resources. The products in which the Paley Report envisages the greatest growth or the most serious scarcity sound almost like a catalogue of the major Canadian resource industries — aluminum, nickel, petroleum, iron ore and some of the new metals like titanium for more than average growth; the traditional base metals, copper, lead and zinc, for sizable increases in demand; and wood and pulp products for a state of comparative scarcity. Of course, projections of the future state of demand for individual commodities are subject to a wide margin of error, but the broad pattern of demand for industrial materials indicated in the Paley Report makes good economic sense and augurs well for Canadian development.

The growth of the American economy in the past ten years has very considerably reduced one of the serious worries which concerned Canadians at the end of the war. We were then faced with restricted buying power in traditional overseas markets and we were still in some doubt as to whether the United States would provide a large enough or reliable market for our basic products to allow us in Canada to have a growing and healthy economy. These doubts may seem rather silly today, though some of your politicians have a way of reviving them when they discuss special protection for base metals, oil or fish, not to mention agricultural products. But I think it is true to say that Canada turned reluctantly from traditional overseas markets and viewed with some concern her increasing dependence on the U. S. market. We were concerned lest the United States should prove an unreliable outlet, as it had proved to be in the '30s. However, we found, in fact, a much larger United States market for our forest products, minerals, fish and cattle and though we have faced threats and difficulties in some directions in that market, our exports have shown a steady and very notable growth. U. S. demands for basic Canadian products have been sufficient to stimulate a great deal of new resource development and large enough to absorb over 60% of Canada's total exports compared with less than 40% before the war. As the years have gone by, our concern about the alleged instability of your economy has gradually diminished. Though there may be a few lingering doubts — for the experience of the great depression is not yet entirely forgotten —we in Canada are well aware of what the maintenance of an active American economy for a full decade has meant to us.

In addition to the growing U. S. demands for industrial materials, the world markets for basic commodities have been strengthened by the recovery of Western Europe and by industrialization and population growth all over the world. To my way of thinking, one of the most encouraging developments of the last few years has been the way in which Britain and most of the other countries of Western Europe have been regaining their economic strength and freeing the operation of their economic systems. Indeed, the growing strength of these countries was probably the main factor in sustaining world commodity markets at the time of the mild U. S. recession of 1954. The economic recovery and the gradual restoration of confidence and self-reliance in Western Europe is one of the great reasons for encouragement in looking ahead. Much has been achieved in rebuilding an international economic system and in this progress American assistance and cooperation has played a vital part.

The other major factor in expanding the demand for basic commodities is the world-wide growth of population and the rapid trend toward industrialization which is becoming characteristic of the so-called underdeveloped countries and appears also to be characteristic of countries behind the "Iron" and "Bamboo" curtains. Mounting population and industrialization have been reducing the amount of basic commodities available for export in many countries, such as India and Pakistan, Argentina, and China, and increasing the requirements of most countries for imports of basic commodities. This is a process which is almost certain to be sustained, if not to gather momentum, and it suggests a strong and mounting demand for industrial raw materials, and also foodstuffs, in the decades ahead.

World Demands and Canadian Resources Development

Without the expanding world demand for basic commodities, the rapid postwar growth of the Canadian economy would not have been practicable. Development of our resources has not just been a question of discovering new resources to develop. The fact is that we have known about a good many of the resources that have been developed recently for a long time and the crucial factor in their development has been the state of demand. Iron in Quebec-Labrador, many of the sites of the new power developments, and most of the forests which are the basis for the new pulp and paper and wood products industries were not recently discovered. Such resources were known but the demand was not sufficiently

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*An address by Mr. Gibson before the American Life Convention, Chicago, Ill., Oct. 14, 1955.

Trends in Mortgage Financing

By CLARENCE J. MYERS*
President, New York Life Insurance Co.

Mr. Myers reviews role played by life insurance companies in the expansion of mortgage credit during past decade, in which they have contributed an abnormal volume of funds to the financing of postwar construction. Says there is increasing cooperation between the government and the mortgage lending industry. Defends recent mortgage credit restrictions, and expresses confidence that the productivity and stability of our economic system will continue to advance.

You in the appraisal profession and we in the life insurance business have one subject of particular mutual interest — real estate and mortgageable values. To some extent, insurance companies are direct investors in real estate, but our main interest arises through our mortgage loans. So it seems to me that a few words about the mortgage lending activity of life insurance companies might be the most fruitful subject of common interest. I want to stress our objectives, opportunities, and particularly our limitations in this field, because there occasionally arises some misunderstanding about what we can do, or are trying to do. This is an important thing, because the life insurance industry now owns $2½ billion in real estate and $28 billion in mortgages.

Clarence J. Myers

So you see, life insurance companies loom large in the mortgage field. In recent years they have contributed about one-fourth of the total mortgage money that is used in financing the real estate sector of the American economy. Obviously our contribution is a sizable one. And it attracts considerable attention for two other reasons. For one thing, our mortgage money goes largely into the financing of residential real estate — homes for a representative cross-section of the American people. And of course housing is a very personal thing—everybody is concerned with its cost and its availability. For another thing, construction activity is largely dependent on mortgage financing; and general business activity, in turn, is affected to an important degree by the incomes and demands generated in the construction industry. For these reasons, when we invest money in mortgages, we are conscious that our actions affect the public in many important ways, directly and indirectly.

Life Insurance Investments

Before I go further, let me give you a little background about life insurance that may be helpful in relating our business as a whole to the subject of investing in mortgages.

First, the companies have aggregate assets of $88 billion, one-third of which has been used to buy mortgages and the balance is in securities, chiefly bonds of companies furnishing transportation, communication, public services, or engaged in manufacturing or production of raw materials.

Life insurance companies furnish a livelihood to 380,000 men and women as employees or agents. Four out of five families in the United States have one or more policies. Incidentally I might add that in North America the ownership of life insurance is $1,900 per capita and our nearest rival is England at $400 per capita.

Premiums of $11 billion are paid to us annually for this protection. Until such time as the money is called for under the terms of the policies, we hold this money and invest it.

So fundamental is the character of our business that we can project with relative accuracy the flow of funds to us and hence we are able to make with confidence commitments to furnish money for future construction. This is an aspect of our financial operations important to the real estate and building industry.

Also, because of the size and constant growth of our assets we can put more emphasis on the safety and yield of our investments than on their ready marketability.

Our aim is to get the best combination of security and rate of return but, because of our size, we must also act with an awareness of our influence upon the economy as a whole. After all, we in the insurance business are the trustees of 93 million policy owners and our gain cannot be at their expense. We are an inseparable part of the economy in which we operate.

Now let me mention briefly some misunderstandings which occasionally arise in connection with the investment of life insurance funds, and particularly with regard to mortgage investments.

One area in which a misconception is apt to be found is that relating to the in-flow of our funds. For example, those who are impressed with the way our funds support economic development sometimes talk as though we in the insurance business can control the total volume of these funds. Of course this isn't so. The cash flow of life insurance companies is simply part of the savings of the American people. We do not determine this flow. We have available for investment only as much money as policy owners entrust to our safekeeping. That is a relatively fixed amount, as I have said, and it is not of our choosing.

Misunderstanding Regarding Distribution of Investment Money

A second area of frequent misunderstanding relates to the distribution of this investment money. There is a tendency, perhaps, to overlook the driving force determining that distribution. We live in a highly competitive world. There are over 1,000 life insurance companies, all acting independently. They face an ever-changing set of competing demands for their funds. Consideration must always be given to the relative attractiveness of putting money into bonds, stocks and mortgages, to the relative merit of loans for housing, for expansion of chemical factories, for power plants, toll roads and so forth. As conditions change, mostly represented by changing yields, the distribution of funds is bound to change.

There is no more striking example of the fact than in the mortgage field since World War II. In 1945, as a result of the wartime blackout on residential construction, mortgages represented only 15% of the life insurance companies' total assets. Today, ten years later, the proportion of our assets invested in mortgages is about 32%.

This is a extraordinary change. And I think I should make it perfectly clear at this point that such a change was made possible because the life insurance companies had abnormally large holdings of government bonds that could be disposed of after the war and thus provide a source of cash. To be specific, in 1945 we had 46% of our assets invested in U. S. government securities. Today with the government's need for financing a less urgent one, the proportion of assets in government securities is down to 10%. Thus, during this decade our government holdings have decreased by $11½ billion and our mortgage portfolios have increased by $21 billion.

But this period of readjustment has ended. Sale of government bonds can no longer provide substantial funds for purchase of mortgages and other private investments. From now on, it might be expected that the expansion of each form of investment will more nearly depend on the competitive division of the net growth of total assets. The truth is, then, that we won't have as much money for mortgages and the amount finally invested will depend to a large extent on how they score in the final measure of safety and yield.

Government Policy on Mortgage Financing

The third area in which there may be need for a clearer understanding is that pertaining to the influence of government policy on mortgage financing. Without going into details, let me cite a couple of examples of strong government influence.

For instance, there was the unpegging of the government bond market in March of 1951. Prior to that date the Federal Reserve System had been supporting the government bond market at prices above par. The life companies, having large holdings of governments, could purchase mortgages in exchange for bonds to be sold at par or better. There was no need to watch the cash flow. Unpegging the market cut the availability of mortgage funds sharply, both because the companies were reluctant to sell governments at a loss and because, as credit generally tightened, yields on corporate bonds became more attractive than the relatively fixed rates on FHA and VA mortgages.

However, in the summer of 1953 the situation changed as certain steps were taken by the Federal Reserve Bank to make credit easier. Declining yields on bonds made mortgages relatively more attractive. Most important, government regulations were changed to permit rates of interest on mortgages to become adjusted to competitive levels. The result was a heavy flow of funds into the mortgage market, which gained momentum lasting into 1955. With business recovery toward the end of 1954, bond yields began to move up again; but this time mortgages could hold their own in competition with other securities because of the flexibility of yields on FHA and VA mortgages—a policy, incidentally, that we in the life insurance business have long advocated.

In the early part of 1955 the Federal Reserve began a series of steps designed to tighten the terms of credit generally. In July, both the FHA and the VA raised down payment requirements and reduced maximum payment of periods. With demand already running ahead of the supply of funds, the tightening of mortgage credit terms was inevitable even in the absence of government intervention. The government's actions largely put an official seal of approval upon what the market was already inclined to do.

The emphasis which government authorities have placed in recent years on flexibility of interest rates is most desirable. Conditions in the capital markets should be determined primarily by supply and demand. Government policies should be directed largely to assist the natural interplay of those forces and to assure an orderly market. Rigidity is dangerous to the smooth functioning of our private enterprise system. The national economy is in much healthier condition today, by reason of this flexibility and freedom from direct government controls, than was the case during the first six years after the war.

The Future Mortgage Outlook

And now I've talked enough along this line—let me make so bold as to venture a word or two about what may be ahead.

When I say "ahead" I do not mean just immediately ahead. I think we should take a longer look, as well. I appreciate that for most of us the immediate future has special interest because we are human and are naturally concerned with what is going to happen to us next. But you will agree with me, I am sure, that from the viewpoint of intelligent planning and sound leadership, we need to take a larger view.

I referred a while back to the fact that the mortgage market during the last 10 years was dipping into a non-recurrent source of life insurance funds, the sale of government bonds. Here are some figures that illustrate that fact. During the last 10 years the assets of life insurance companies showed a net growth of $43 billion. It is convenient to think of this as new money seeking additional investments. Let us assume, for the sake of illustration, that we normally want to keep about one-third of our money in mortgages. If one-third of this new money had been used to augment our mortgage holdings, the latter would have gone up just $14 billion during the 10 years period. Instead, our mortgage holdings actually went up $21 billion. The extra $7 billion, so to speak, was obtained by reducing our holdings of low-yield government bonds, which declined $11½ billion during this period. The percentage postion of mortgage holdings in our total assets rose from 15% to 32% during the past 10 years. We can hardly expect the next 10 years to witness still another rise of 17% points, which would bring mortgages up to 49% of total assets.

In this connection it is worth remembering that much of the **demand** for postwar housing was of a non-recurrent nature, just as the **supply** of money was partly non-recurrent. Construction during the past 10 years served in large measure to make up for the shortages that had accumulated during the war. Never in the history of our country have all levels of our society been relatively so well housed.

Furthermore, there is reason to expect greater stability of the flow of funds in the days ahead when terms of credit are flexible. You will recall that much of the "stop-and-go driving" on the route we traveled during the past 10 years reflected arbitrary limitations and interventions by government agencies.

We in the life insurance business are rather proud of the part we play in channeling a substantial share of the individual savings of millions of people into productive investments, both large and small, scattered throughout North America. We are also proud of the increasing skill with which we have been able to adapt the flow of our mortgage money to the intricate and fast changing pattern of demand for home financing. This is not easy to do. We could not do it at all, on a truly nationwide scale, without help from a large number of independent professional appraisers.

I believe that our job, in the mortgage field, is being done better and better each year. This progress is partly traceable to the fact that we are learning to use professional services more effectively, not only in the initial lending but also in periodic review of our holdings. And it is due also to the progressive spirit prevailing in your profession, a spirit that is creating ever-higher standards of training, performance and ethics among the members of the various appraisal societies.

The appraiser has a particularly important part to play in maintaining economic stability. If we as a nation are to avoid a boom-and-bust course of economic development, it is incumbent on everyone connected with the investment process to avoid overvaluations based on excessive optimism during periods of rising prices and also to avoid undervaluations based on excessive pessimism when the general price level is falling. Obviously, through the sound, objective appraisal of real estate values, you can contribute very effectively to keeping our economy on an even keel.

Responsibility for the construction and financing of an adequate supply of housing is a real challenge for the housing and mortgage lending industries. With the fine cooperation that prevails today between government and our business, of which the professional appraiser is an integral part, I think there is reason to welcome this challenge—to accept it confidently.

As you can see, I am not a pessimist. In fact, taking a somewhat long look ahead, I see on every side grounds for much optimism. I believe we are now entering a new epoch of history. It will be a period of wonderful possibilities for progress. And we are entering this new era, I firmly believe, at a time when American business is better prepared than ever before to accomplish great things.

Reasons for Optimism

Let me tell you, very briefly, some of the reasons for my being so convinced on this score.

First of all, American productivity, which is the foundation for our well-being, has continued to go steadily up and up—and I fail to see anything which convinces me that it will stop going up in the years ahead. Also technology. Who can say where our horizons lie in this great field? You and I would be foolish indeed if we were to attempt to predict the limit of discoveries still to come from our research laboratories in this atomic age. If production takes men, money and machines, how—looking at our labor supply and labor skills, our financial resources and our advancing technology — how can we be fainthearted about this country's future capacity to produce?

Some of you, agreeing with me regarding our nation's capacity to **produce**, may possibly have misgiving about the maintenance of our capacity to **consume**. I am just as optimistic about the demand side of the picture as I am about the supply side. To be sure, we will occasionally have short periods of inventory readjustment, price readjustment, and readjustment to changes in the defense expenditure program. But how can we fail to have a strong upward trend in all the basic factors that create demand for consumers' goods and services?

The remarkable upsurge in the growth of the population is still continuing. The striking shift in the distribution of personal incomes has created a vast new middle-income market, whose needs are far from saturated. And

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*An address by Mr. Myers before American Institute of Real Estate Appraisers, New York City, Nov. 9, 1955.

From Washington Ahead of the News

By CARLISLE BARGERON

Senator George Bender of Ohio has never been looked to by the Washington correspondents for sage advice. They are inclined to look upon him as a man who sang his way into office. It so happens that he can sing and he can play the piano and is a man of tremendous bounce who will either sing or play the piano upon occasion.

Carlisle Bargeron

Yet out of all the speculation that has come out of President Eisenhower's illness, Bender has come forward with the most sensible statement of all.

The President, he said, will run again because a man can "either rust away or wear away." For his part, said Bender, he prefers to wear away, and he believes the President does, too.

Bender doesn't claim to know anything about what's going on in Eisenhower's mind. He simply knows what's going on in his. And that is to keep doing.

The only reason Bender is in the United States Senate today, is that he kept "doing." When you quit "doing" you dry up and die. That is Bender's philosophy and it is unmistakably true. It is true of most men.

Unfortunately for the Republicans, the story has been ever since he came to the White House, that Eisenhower didn't like the job; he was just rendering a temporary service; that he longed to retire; would probably not run for a second term.

The whole Republican party structure has been built around that theme. It has been a bad theme. That a man placed in the highest office of the land was dissatisfied, didn't like his job, the hours associated with it, the exacting duties, was itching to get away to his Gettysburg farm and golf; that is one, if people will just think about it, one of the most amazing contemplations they have ever had before them.

Consider the big men we have had retire from industry at 65; no one of them of whom I know is contented to just sit around the house and mow the lawn. The military officers whom we insist upon retiring at 61 have gone out in our new economy which is built so much around the government to get jobs with industry. Take the controversial McArthur. Does he consider his days done and want to retire to a farm? Not by a long shot.

Now, if you accept the proposition that General Eisenhower, at his age of mid-60's is tired, wants to pack up his accomplishments and rest upon them, then you are dealing with an unusual breed.

One of our problems in the past has been what to do with the men of accomplishments such as Eisenhower has had. We may make them heads of innocuous agencies or organizations rather than dismiss them. They have been too energetic to be dismissed; some of them with their reserved energies have come to be nuisances.

Apparently, though we have assumed that General Eisenhower, notwithstanding that he jumped pretty much overnight from Lieutenant Colonel to General in command of our armies in Europe, to President of the United States, didn't like any of it. It was all just forced upon him. And he has accepted these honors, particularly the Presidency, as a favor, being a good fellow.

This is all a lot of nonsense, of course. The general assumption now, utterly ridiculous to this writer's mind, is that having been bored with the Presidency in the first place, having found it onerous, now after his heart attack, he would manifestly give that as a reason for not running again.

There, in my opinion, is where George Bender has made a very sage remark, that a man can "either rust away or wear away." I have never known a man, retired in wealth or a man retired on a street car conductor's pay, who would not prefer the latter. The tragedy of old men is that so few have the opportunity of "wearing away." All too many of them just have to "rust away."

Those, who have been saying, even before his heart attack, that General Eisenhower would like to "rust away" on his Gettysburg farm are not very cognizant of the ambition which has brought him to where he is.

I am mindful, too, of the fact that the Presidency has never drawn from his health. He has had a long training on how to take things easily. It is inconceivable to me that he will lightly give up a second term in the White House, his Gettysburg farm notwithstanding. As for his health, if he can serve out his present term, it would seem he can run for another one.

Russell With Kinnard

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Edmund P. Russell has become associated with John J. Kinnard & Company of Minneapolis. Mr. Russell was formerly Omaha manager for Waddell & Reed, Inc.

To Be Risser, Harmon Co.

Effective Dec. 1, following the retirement of James M. Leopold, the firm name of James M. Leopold & Co. will be changed to Risser Harmon & Co. Earl T. Risser, member of the Exchange, will become a partner in the firm.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market saw little in the election results to change anything basic and continued to work higher after breaking out of a rut on the upside this week. The paramount interest centered on the year-end dividend meetings with investors quite obviously expecting to share to a greater extent in the booming business of this year.

* * *

Where, as in the case of International Paper, the cash and stock payments were the same as last year, market reaction was immediate. Chrysler, which had hoped for at least a partial return to the old dividend rate that had to be halved last year, was held back momentarily when the lower rate was continued, but a dollar extra tossed in for the year-end helped to salve the holders partially.

The GM Payment

General Motors fared well when the company authorized the first payment on the new issue—a dollar year-end disbursement, or a payout of nearly $300,000,000. The stock's first chance to respond to the payment wasn't until the day after the elections and it built up a fat 35,000-share opening trade in the issue. It was the equivalent of a $3 year-end payment against the $2 paid last year but left the amount of the "regular" quarterly on the new stock up in the air until the next directors' meeting.

* * *

The old stock of General Motors disappeared from trading after the week's initial session as the 3-for-1 splitup became effective. The last few trading sessions for the old stock were highly sedate ones. Unlike many issues that have reacted quite markedly recently, the GM old stock was sturdy throughout. It posted its high subsequent to the late September trouncing given the market generally, and ended its trading life a scant half dozen points under the best, or some 50 points above the 1955 low.

* * *

DuPont wasn't oblivious to the $63,000,000 that the GM declaration will add to its treasury on the shares it holds and the stock was able to celebrate the occasion to recover around two-thirds of the ground it had lost in its reaction of recent weeks.

* * *

Quite a few issues have sizable gaps between their year's best postings and current levels. A good many had reacted even before the September break, notably the aircrafts that had been thoroughly deflated. It helped this group since to show above-average stability and occasional definite favoritism as the large orders for jet transport fleets from the domestic airlines continue to put a more hopeful face on the civilian activities of the plane makers. Boeing was the week's recipient of a fat order from American Airlines which helped it put on a better showing. The airlines themselves, despite favorable earnings, have had little following, possibly because of the huge financing ahead to acquire the new fleets. Where some other favored issues have sold at 25 and 30-times earnings, the air carriers are prominent at the low end of this measurement, currently running below 10-times earnings.

Jersey Stimulates Oils

Standard Oil of New Jersey was buoyed by its official split proposal and helped the other oils stand out as somewhat above average in market performance. Warren Petroleum, however, which enjoyed a rather long run in popularity was hard pressed occasionally, making it somewhat obvious on the casualty side. On a times-earnings basis, incidentally, the oils with their heavy depletion allowances feature in an occasional statistical game of refiguring the price on a times-cash-flow basis. The actual cash flow of Jersey, for instance, will probably be $6 more than the formal reported earnings this year, which reduces the market price to an eight-times-cash basis against the 13-times-earnings.

Split Candidates

Among the chemicals it was largely a case of stock split candidates that did most of the work. DuPont, whose directors meet early next week, was the center of most of the interest. Hopes for some division of the Allied Chemical shares had largely been put off as a matter to be attended to next year. In the chemicals, Olin Mathieson, one of the newer of the giants, was available at a slightly more liberal yield than the usual run in the division. The company erupted to giant stature only recently after the Mathieson Chemical-Olin Industries-Blockson Chemical mergers pushed it into fourth place in the industry.

* * *

Department store issues continue to be favored by some of the market spectators, largely because sales are up markedly over last year and the holiday season with its boon to sales is imminent. Liberal yields are available, for one inducement; for another, the issues have been quiet all year and aren't among the issues that will have to weather tax-loss selling which is starting to show up in some of the more seriously depressed issues.

Mail Orders Spurt

Mail order shares occasionally were able to put on a good show of market popularity, a bit of the play in Montgomery Ward stemming from stock split hopes now that a more aggressive merchandising policy is starting to show results. Sears, which already has planned a split with the special meeting to be held next week to ratify it, was able to keep pace on daily gains, but, unlike Montgomery, made no serious attempt to forge into new high territory.

* * *

One issue, held back marketwise to a degree by the large need for expansion capital, is National Gypsum which has held in about a 15-point range all year. The company has been engaged in expanding its gypsum reserves, including one deposit which is now completed that has reserves to carry the firm for the next century. Its mill program has a bit to go yet but this is expected to be completed in midyear with the end of the drain on the company's funds.

* * *

From a technical standpoint, the fact that the market has shown it can still surge uphill after a period of inertia was encouraging but not necessarily decisive yet. The high-water mark of 475 which the industrials reached on their swift, but momentary, rebound from the Sept. 26 deluge is considered the first crucial point to breach before enthusiasm will become somewhat rampant. The going became a bit stiffer as the average approached this area. How much this was due to the intervening holiday for Election Day and how much to technical resistance was still far from clear. Also obscuring the picture somewhat was how much tax-selling will have to be absorbed between now and the end of the year. But such selling was generally agreed as being an influence not present last year to any considerable degree and one likely to keep the traditional year-end rally in a somewhat narrower pattern than usual.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. announces that the following candidates have been nominated to hold office for the year 1956:

President—Edward J. Kelly, Carl M. Loeb, Rhoades & Co.
First Vice-President—Nathan A. Krumholz, Siegel & Co.
Second Vice-President—Henry Oetjen, McGinnis & Co.
Treasurer—Daniel G. Mullin, Tucker, Anthony & Co.
Secretary—Barney Nieman, Carl Marks & Co., Inc.


Edward J. Kelly


Nathan A. Krumholz


Henry Oetjen


Daniel G. Mullin


Barney Nieman

Directors (Two-Year Term)—Edward A. Horn, Kuhn Loeb & Co.; Reginald J. Knapp, Wertheim & Co.; Wilbur Krisam, John C. Legg & Co.; Lewis H. Serlen, Josephthal & Co.

Trustees of Gratuity Fund (Two-Year Term) — Edward L. Chapman, Spencer Trask & Co.; Salvatore J. Rappa, F. S. Moseley & Co.

National Committeemen — Samuel Magid, Hill, Thompson & Co., Inc.; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co.; Harold B. Smith, Pershing & Co.

National Committeemen Alternates—Samuel F. Colwell, W. E. Hutton & Co.; Stanley E. Dawson-Smith, Cruttenden & Co.; John D. Ohlandt, New York Hanseatic Corp.; Stanley M. Waldron, Merrill Lynch, Pierce, Fenner & Beane; Graham Walker, Joseph McManus & Co.

Nominating Committee (Four members to be elected)—Richard F. Abbe, Shearson Hammill & Co.; Murray L. Barysh, Ernst & Co.; Joseph H. Billings, Cowen & Co.; John C. Blockley, Harris, Upham & Co.; Walter L. Filkins, Troster, Singer & Co.; Thomas Greenberg, C. E. Unterberg, Towbin Co.; Charles H. Jann, Estabrook & Co.; D. Raymond Kenney, D. Raymond Kenney & Co.; Joseph D. Krasowich, Gregory & Sons; Paul J. Lane, Kidder Peabody & Co.; John Vincent Lytle, Shields & Company; John N. Manson, Hardy & Co.; Theodore Plumridge, Eastern Securities, Inc.; Stanley Roggenburg, Roggenburg & Co.; Robert A. Torpie, J. C. Bradford & Co.

Nominations other than those selected by the Nominating Committee can be made by a petition presented to the Secretary endorsed by 15% of the members eligible to vote for candidates. All nominations shall close 15 days prior to the Annual Election.

Respectfully submitted,

Members of the Nominating Committee were:
Leslie Barbier, G. A. Saxton & Co., Inc.,
Thomas L. Curry, Stone & Webster Securities Corp.
Wm. L. Fleckner, Merrill Lynch, Pierce, Fenner & Beane,
George V. Leone, Leone & Pollack,
George V. Hunt, Chairman; McLaughlin, Cryan & Co.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Nov. 3, 1955 is as follows:

Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten	32
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	26
Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan	25
Leinhardt (Capt.), Bies, Pollack, Kuehner, Fredericks	24
Donadio (Capt.), Brown, Rappa, Seijas, Demaye	24
Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson-Smith	22
Growney (Capt.), Define, Alexander, Montague, Weseman	22
Bradley (Capt.), C. Murphy, Voccolli, Rogers, Hunter	22
Krisam (Capt.), Farrell, Clemence, Gronick, Flanagan	21½
Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenberg	21
Topol (Capt.), Eiger, Nieman, Weissman, Forbes, Klein	15
Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss	14

200 Point Club
Duke Hunter ______ 202

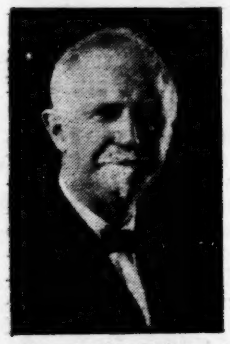
5 Point Club
Mike Growney
Walt Bradley
Joe Donadio

Character Audits for Corporation Executives

By ROGER W. BABSON

Warning natural resources may be depleted, Mr. Babson urges more caution and wisdom in consuming our reserves. Points out, also, it is important to build up our spiritual resources, and predicts auditors of corporations will in future report on the character and health of each company's leading executives.

We have approached the stage where we must consume our reserves of natural resources with more caution and wisdom. Unfortunately, too many of us have looked upon these vast resources as nature's gifts, to be used as desired. Our minerals and forests have therefore been used too freely, although we have achieved one of the highest standards of living.



Roger W. Babson

Through our skillful utilization of coal, iron, aluminum, copper, and other raw materials, our work has been made easier. We have more leisure, so that we may follow cultural pursuits. However, this leisure, to be meaningful, should include pursuits which add to our spiritual values and not just those which further our pleasures or promote more technical achievements.

Natural Resources May Be Depleted

The wisest industrial leaders have begun to look to the time when some of our precious natural resources will be depleted. With plans for solar, atomic, and gravity power still only in development stages, for war or peacetime uses, we especially need to conserve our resources so that we may make the best possible use of them. We should, therefore, be more careful of our ore, forest, and oil reserves. We are already replenishing our woodlands by reforestation—and are using better methods of soil enrichment, fertilization, and cultivation so that each acre of farm land will yield more efficient crops.

We have also realized that we must search for new and additional reserves of natural resources, not only here, but also all over the world. More countries will then be able to develop their own industries and agriculture, so that more people may benefit therefrom. Each country will produce those items which it is able to turn out most efficiently. Then, these products will be exchanged so that all industries may be used to the best advantage of everyone, everywhere.

The Ultimate Goal

The utlimate goal of the wise use of natural resources is to raise the standard-of-living, and it is important to keep this goal in mind. Moreover, it is just as important to emphasize the building up of spiritual resources as of physical resources. Our nation's true power is in its spiritual strength.

Therefore, in our attempt to conserve natural resources in order to attain material well-being, we must emphasize the dignity of the individual. This country has become the richest nation in the world. We have proved our leadership in industry. We must now show our leadership by building up our spiritual and other human resources.

How to Develop Spiritually

Most readers are asking for a practical method of developing this nation spiritually. I, of course, am very happy with the example which President Eisenhower has set us by attending Church services regularly and trying to make Sunday different from other days. I also appreciate his opening his Cabinet meetings with silent prayer. Certainly the habit of family prayers, under which I was trained, was a great factor in my life. I believe that Bible reading in the public schools should be retained. When I think of my ancestor, Reverend John Rogers, who was burned at the stake Feb. 6, 1555, for translating and distributing the Bible, I feel ashamed of myself for the little effort I am making to increase Bible reading, especially the reading of the modern Condensed Bibles such as the "Soul of the Bible," or "Reeve's Brief Bible."

When admitting students to Babson Institute, we do not ask whether they are Protestant, Catholic, Jewish, Hindu, or Moslem, but we are greatly interested in their character and hope they pray to the Universal Father. The nation must, however, go even further; we must see that our corporations are led by men of character. I forecast the day when auditors of corporations will report statistics to stockholders indicating the character and health of the leading executives just as they now give financial statistics. This is perhaps the most important thing we could do to assure continued prosperity and avoid a severe business depression.

With Southern Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Robert H. Morrison is now affiliated with Southern Investment Company, Inc., Johnston Building.

Morrell With Bristol

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter S. Morrell has joined the staff of The Bristol Securities Company, Chamber of Commerce Building. Mr. Morrell was formerly with Sheehan & Co. and Boardman, Freeman & Co.

Atomic Energy and Electric Power Construction

By LT. GEN. LESLIE R. GROVES (Ret.)*
Vice-President of Remington Rand Division of Sperry Rand Corp.

Director of first atomic energy project discusses peaceful uses of atomic power and the prospects of further development. Points out possible effects of atomic power use in generating electricity, and states atomic power will not displace other forms of energy, but will be used for expansion. Finds, however, in using atomic energy in generating electricity, there will be additional construction work, primarily in field of instrumentation. Concludes another decade will pass before atomic power use becomes truly economic.

The explosion of the first atomic bomb and the two that brought the immediate surrender of Japan destroyed the complacency of the average man towards the advance of science and technology. The effect has been so great on the world's thinking that today we find sane, practical scientists and engineers discussing interplanetary flight within a decade or two as an entirely reasonable expectation. I would like to observe, however, that while I do not wish to dispute publicly with their views, neither have I attempted to make any reservations for such a flight.

Leslie R. Groves

But when we return to, may I say, a comparatively simple subject like atomic energy, it might be just as well if we engaged in a little less speculation about the exact details of the future and got down to brass tacks and did things. After all, that was the way the Manhattan Project operated. We did do a little speculating from time to time, but we did not allow that speculating to interfere with our immediate objectives. At this time no one really knows whether atomic generating stations will be large, central, costly plants or whether there will be numerous smaller plants aimed at serving very restricted territories. We do not know whether or not there will be a tendency towards concentrating industrial activities around big generating stations or not. Why should we spend what should be productive hours worrying about these questions? Free enterprise has made this country great and it will continue to do so. But let us remember the word —ENTERPRISE. It doesn't mean long-winded conferences, nor does it mean endless talk and speculation. To most of us it will continue to mean GET-UP and GO, making decisions promptly, and then forcefully and courageously carrying them out. I hope that this will continue to be the American doctrine as the Atomic Age unfolds.

You are all aware, some of you more intimately than others, of the tremendous transition that has been going on in the world from the days of the first A-bomb. And, today there is no evidence that there will be any slow down in the rate of transition.

The newspapers, television, and radio recently told us of a town that for a short period had been lighted by power generated by a small atomic power plant. Who would have dreamed 20 years ago that housewives would some day fry eggs, or boil coffee or run vacuum cleaners with the aid of an atom?

Our atomic power development picture was started with large broad strokes that gave us a picture of what the future might hold —but the delineation of details and time was very fuzzy and hazy. Frankly, the picture is still blurred in many areas—but here and there the brush strokes are beginning to show up some clear-cut ideas as to the future. We may still be in the dark but we can see that dawn and then daylight are not far away.

From the time the Manhattan Project was organized in the late summer of 1942 we had only one mission. That was to bring about an earlier end to the war than would otherwise be possible and to thus save the lives of tens of thousands of our fellow Americans and to stop the excessive drain on our economic structure which, if continued too long, could greatly impair our strength as a nation.

Development of Peace Time Use of Atomic Energy

As time went on it become evident to us, however, that the post-war era might well be profoundly influenced by the advent of atomic energy into fields other than military. In one of the earliest reports (this was in 1943) we stated that ultimately the value of atomic energy would by no means be restricted to military weapons.

And long before the first bomb was exploded over Japan and without interfering with our object we were planning for these developments. One example of this was in the reactor field where we were carrying on studies looking towards the production of power in quantity whether by the use of known knowledge or by further development of our thoughts as to the practicability of using thorium as a supplement to uranium or of developing the so-called breeder pile which makes so much greater use of the uranium.

Another example, and one where prompter results were achieved, was in the field of radio-active isotopes.

Here we made plans for the distribution of these for research and even commercial use. Less than six months after V-J Day our basic organization was completed and not too long after that the distribution had begun. Since that day tens of thousands of shipments of these isotopes have been made to something over a thousand institutions in the United States, and many more have been sent abroad. Private industry has been operating in this field now for a number of years.

Atomic Energy and Power Development

Like most thinking people — most of you have probably wondered just where this new age of atomic energy and power development is going—and in your case just how you, the electrical contractor, are going to be affected and how you are going to fit into the new possibilities which are enfolding.

You have wondered whether it will be a specialized field, or one which will be open to all, and whether it will require unusual capital and a large organization, or whether the average firm can enjoy a reasonably competitive position.

The principal influence which the advent of nuclear power will have upon your industry will be the effect of bringing into being, and hence into availability, a new source of power. It does not take any great intelligence or knowledge to realize that our use of existing sources of power cannot be increased indefinitely. There are limits to natural resources and we have been dipping rather heavily into ours. At the same time, our demands for electrical power have been increasing enormously and I am sure will continue to increase. We have an insatiable appetite for electrical power. And, this appetite will continue because electric power means a higher standard of living.

There are not too many hydro sites left in the United States. There is a definite limitation to just how much we can increase our use of petroleum, and even of coal, for the production of electric energy. Atomic power will not displace these forms of energy. Atomic power will be used for expansion, not for replacement. It is this which will cause the true impact upon your industry. Remember—the supply of uranium is great, and more efficient use of this uranium will greatly increase the effectiveness of this supply. This more efficient use is not dependent on minor engineering and operational improvements, but in the main, will spring from major developments, such as, the development of the breeder pile.

Another development that will undoubtedly come, and I hope not too long hence, will be revolutionary improvements in the handling of radio-active wastes including possibly their use in other industries, such as in the sterilization of foods, etc.

There is also the distinct possibility of the use of thorium, in addition to uranium, as a basic power source. We have long known that this was perfectly feasible. In fact, we carried on work in this field during the war and were very much interested in its possibilities.

Naturally, you are vitally interested as to the part that your industry and you will play in the construction of nuclear power facilities. There is nothing strange about much of the work that will be involved. In your field the bulk of the work will be the same as you now do in any new big generating installation. There will be some additional work, primarily, in the field of instrumentation. This work will require greater care than normal, not so much because of its difficulty, as because of the importance of the entire installation working without the slightest difficulty. I would imagine that a certain amount of knowledge of nuclear reactors would be required in this phase of the work—just how much is difficult to say. The more you have, the better qualified you will be. I think that you will find that the average electrical engineer graduating from college today will be able to understand the problems of the reactor sufficiently to be of value to you in this connection.

Every new advance in the generation of electrical power has meant new and sometimes complicated problems for you and your associates. You know that it usually means new tools and equipment and often higher materials inventory. Your experience has taught you that it takes more money to operate your business and that it takes more knowledge on your part and more ability on the part of your workers. Apprentices must have more knowledge as to theory than journeymen had only a few years ago. And while in many trades the need for individual skill has lessened, in yours the need for greater knowledge has increased. The advent of the atom will make this need even greater. If you are going to be prepared you cannot ignore the scientific advances in the atomic field. To use a football analogy you can't coach a team today along the lines of the flying wedge which was so effective in the days when the Big Three dominated the fall scene You have to work with "T" and split "T" formations today.

No one can predict accurately just when the Atomic Age is going to develop to the point where nuclear energy will be an appreciable factor in new electrical generating installations. Today, it looks as if it were not many years off in certain sections of the world.

The Atomic Energy Progress In England

England is approaching that time now. She may well be the first country to make widespread use of atomic power. Last week, in a speech in New York, one of our old British colleagues in this field, Sir John Cockcroft, now the head of their atomic research at Harwell, England, outlined their plans for the next few years. He emphasized his belief that by the end of this decade they would have completed the first of their big scale generating plants and that the engineering knowledge gained in this would be so great that plants fully competitive with other sources of fuel would immediately be entirely practical.

It must be remembered that, even without consideration of the ever-present British exchange problem, the situation is quite different in the United States. We have a greater availability of coal at reasonable cost, and we have a more plentiful supply of petroleum fuels. Despite these differences, we in the United States are actively planning the construction of large plants. In some of these, the engineering is well along and it should not be too long before construction is started.

I believe that when atomic power does become competitive that we will all be surprised with the suddenness with which it becomes an important factor in our economic life. I do not believe that I am an undue optimist in this. In 1945, I did not believe that economic atomic power was just around the corner. As I put it then, I felt that it was decades away. One decade has passed and I believe that another decade will pass before this power becomes truly economic.

If I were asked to predict, today, I would say that it would be sometime after the middle of the next decade before this power would become generally economic throughout the United States. Please note that in saying this, that I am referring to economic power under normal conditions in stationary plants. I am not referring to the propulsion of naval vessels, nor am I referring to power plants in isolated areas of the world.

As I said before, I am sure, when this era of atomic power really opens we will all be surprised with the rapidity with which it progresses. It will be too late then for individuals and organizations to learn the fundamental principles involved in the construction of these plants. I would advise you to prepare yourselves for that time to come. If you do not, you will find that the work involved will, at least initially and possibly for a number of years, be in the hands of those who are prepared. May I remind you of the lesson we learned during World War II. An organization cannot move into a new field successfully unless it is prepared.

In the larger War Department projects, such as, our big TNT and powder plants, we had to use electrical contracting organizations that were used to large scale operations and were by experience known to be technically qualified to perform their part of the work. We could not take a chance on an organization that we did not know could and would do the job. You in your industry must be prepared and ready when the time comes just as our Armed Forces must be ready if war should strike us again. Let me remind you of the parable of the wise and the foolish virgins. Like the wise virgins, you must think of the future so that, like them, you will be ready.

*An address by Gen. Groves before the National Electrical Contractors Association, New York City, Oct. 31, 1955.

LETTER TO THE EDITOR:

Finds Flaw in J. E. Holloway's Article on Gold as Money

Richard T. Hall of Boston takes issue with the statement that subsidiary uses of gold, such as ornaments, gets value from the use of gold as money.

Editor, Commercial and Financial Chronicle:

I note the following from Dr. J. E. Holloway's article (issue of Oct. 6, 1955):

"While gold serves as money we can disregard its subsidiary uses like ornaments, dental or bookbinders' supplies because *its value for these purposes flows from its value as money.*" (Emphasis mine.)

My comment on the above is that the reverse is nearer the truth. If a given item has no value it will never be used as a monetary base or standard. Money material has no value and can have no value *so long as it exists in the form of coin.* It is a money's capacity to become not money and to revert to a commodity status that makes it sound money.

The *number* of monetary units representing a given weight of the money commodity should *never* change. The intent of a commodity money standard is that all other commodities are to be valued *in terms of a fixed weight of the money commodity.* If a bushel of wheat is worth, say, one dollar, this dollar should always stand for a fixed weight of the money commodity; never more, never less. To deviate from this principle is merely to revert to currency manipulation, which is what we have now, without the commodity standard.

RICHARD T. HALL
177 So. Botolph Street,
Boston 15, Mass.
Nov. 3, 1955.

Fewel Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Albert E. Nave has been added to the staff of Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Rejoins First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — David Meherin has rejoined the staff of First California Company Incorporated, 647 South Spring Street. Mr. Meherin has recently been with H. L. Jamieson Co.

Sees 4½-Hour Coast-to-Coast Airplane Service

C. R. Smith, President of American Air Lines, says, despite its present efficiency, the modern airplane must do better and operate cheaper.

In an address at Los Angeles on Oct. 28, C. R. Smith, President of American Air Lines, predicted a non-stop flight service across the continent in four and one-half hours. In the course of his remarks, Mr. Smith stated:

C. R. Smith

"We are beginning to think about the potentialities of the airplane when we can use fuel in terms of ounces rather than tons, and when the total fuel package for the aircraft may be no larger than the pilot's watch."

"Today, on a nonstop flight from New York to Los Angeles," he pointed out, "about 60% of the plane load must be devoted to transportation of fuel, leaving only 40% for revenue producing passengers, mail and cargo.

"We must learn to do better, for the modern airplane, despite its relative efficiency, is not a good producer of low-cost volume transportation. Meanwhile," Mr. Smith reported, "American Airlines is moving into the use of turbine engines. There are two types, one the turbo-prop, a turbine engine with a propeller and the other a turbo-jet which operates through the thrust that it generates. Both of them will be used soon in domestic air transportation.

"We should be operating to California in 1958 with the first of the U. S.-built turbo-propeller aircraft, the Electra, built by Lockheed in Burbank. This new transport will cruise at speeds past 400 miles per hour.

"In 1959, we should have a schedule for four and one-half hours from Los Angeles to New York, with a turbo-jet airplane built in either Santa Monica or Seattle. These airplanes will be on order during this year; they are promised for delivery, ready for operation, in the middle of 1959."

Mr. Smith, noting the advantages of turbine power, promised a "real powerplant revolution," as it takes over in commercial aviation. He detailed four reasons: smaller engine diameters, offering less resistance and greater speed ability; tremendous weight savings, with a 3,750-horsepower turbine engine weighing less than 1,750 pounds; simplicity and economy in maintenance and overhaul; and fuel economy, through the use of kerosene and other fuels much cheaper than high-octane aviation gasoline.

Economists' Views on 1956 Business Outlook

According to forecasts of 201 leading economists, polled by the F. W. Dodge Corporation, business in 1956 will be better than in this year.

Business next year will be even better than this year, with greater output, higher wages and higher prices in prospect, according to the forecasts of 201 leading economists polled by F. W. Dodge Corporation in its annual survey of economists' opinion.

Dr. George C. Smith

The poll — used by the Dodge organization as one basis for its own estimates of the construction outlook to be released by Dodge Vice-Chairman Thomas S. Holden — shows the economists generally agreed that total output, measured by Gross National Product, will rise to a peak in the middle of 1956.

However, according to an analysis of the results by Dr. George Cline Smith, Dodge economist, the panel expects a slight downturn in output in the second half of next year. A similar pattern, he said, shows up in the forecasts for the Federal Reserve Board's index of industrial production.

In previous polls this panel accurately foresaw the mild downturn of business in 1954 and the upturn in 1955, Dr. Smith said.

Dr. Smith said that the economists showed a high degree of unanimity on most points. "For example," he said, "four out of five of the economists expect next year's Gross National Product to be higher than the mid-1955 level. In addition, 84% of the panel expect personal consumption expenditures next year to be above prevailing levels; more than 90% expect manufacturing wage rates to increase next year; and 85% expect consumer prices to be at higher levels."

The economists participating in the current survey include 31 in financial organizations and insurance companies; 88 from other business firms; 44 from colleges and universities; and eight from government. The remaining 30 are consultants or members of research organizations.

According to the analysis, the panel expect next year's total new construction to be about $41 billion, a very slight decrease below the estimate of $42 billion for this year. However, they expect housing starts to decline substantially, with a total of 1,150,000 in 1956, and with the rate in the second half of the year lower than in the first half.

Nearly all the panel feel that personal consumption expenditures next year will continue their steady long-term rise, with the median forecast at a record-breaking $255 billion for the year. This would represent a 3% increase over the mid-1955 level.

Dr. Smith noted that President Eisenhower's unfortunate heart attack occurred during the period in which replies to the questionnaire were being received.

"The question is whether this event affected replies received later, or would have caused earlier respondents to change their views had they known of it, has already been raised several times, and is bound to occur to readers of this report," Dr. Smith said. "While no scientifically precise answer to this question can be given, a check of the last 40 questionnaires received shows no significant difference in the median forecasts from those of the total of 201."

Many of the economists wrote comments on various subjects covered by the questionnaire. According to the analysis, these comments placed considerable stress on the fact that 1956 is an election year, but most were inclined to treat that fact as one of the "unknown quantities" affecting the outlook. Comments on the international situation as an economic factor were considerably less numerous than in previous pools.

Thoughts on the Restoration Of a Redeemable Currency

By GEORGE S. MOYER, PH. D.
Freeburg, Pennsylvania

Dr. Moyer holds a courageous restoration of redeemability of our currency would apparently accomplish more to stabilize prices and economic relations, and to encourage confidence, than any other known device. Says a redeemable currency would operate to correct in large measure recurrent higher wage demands by establishing conditions approximating stability.

Aside from the havoc wrought by a protracted and ruinous war, nothing conceivably inflicts as much damage upon the economic order as a blighting inflation. These two economic maladjustments are, however, ordinarily closely related. Irredeemability usually becomes associated with war financing, and may easily be extended into periods of peace. However, where such extension occurs and is continued unfortunate results will invariably appear. Inflation will become aggravated while the purchasing capacity of the monetary unit, may depreciate vastly creating disorder throughout the economic system.

Fiat currency and debt monetization are equally potent in promoting an uncontrollable inflation, with disastrous results upon the price structure and resulting loss of confidence. The spirit of initiative, upon which our free economic structure has been erected, suffers severely. The evils of fiat money have largely been superseded by the damage which debt-monetization is capable of producing. Since such monetization can be centrally manipulated there is virtually no limit to the amount of purchasing power, that can be extended and diffused throughout the business mechanism, irrespective of any depreciation that will occur in connection with such extension. Such monetization apparently provides a more efficient instrument for the effective extension of inflation, with increasingly less prospects of redeemability, than its twin brother fiat currency could presumably do under similar conditions. The printing press has accordingly, in this modern era, been largely superseded by the monetization indicated.

People in their collective capacity have apparently demonstrated less constructive intelligence, in connection with the problem of establishing and maintaining correct monetary dispositions, than has obviously been the case with other vital issues requiring a collective disposition. The introduction and maintenance of redeemability, will ostensibly go a long distance in the matter of correcting the wreckage, which the pursuit of previous monetary techniques have occasioned. The basis for the renaissance of an essential and imperative confidence, will likewise have been established.

Assuredly our responsible legislators entertain no ignorance, concerning the character of inflation as it has historically manifested itself. Such lack of information would assuredly be inexcusable among our responsible officials and law-makers. However they may entertain the obviously gratifying illusions that the havoc and ruin, that have usually overtaken nations which have espoused irredeemability, as a continuous policy, will in nowise afflict this nation. Experience with colonial bills of credit, the continental currency, the French assignats, and the more recent inflations in Germany, Hungary, and China, etc., should effectively operate to dispel any such complacency, regarding a presumably protective canopy enjoyed by this nation.

A courageous restoration of redeemability would apparently accomplish more to stabilize prices and economic relations, and to encourage confidence, than any other known device. Such redemption should be initiated at some acceptable price for gold, and then preserved at such figure. With such quotations maintained commitments could be assumed with assurances, while the benefits of prosperity and contentment, would obviously diffuse themselves throughout the entire nation. Constructive economic statesmanship would assuredly aim at achieving such a state of national prosperity and well-being, through encouraging the restoration of redeemability, at some satisfactory quotation, at the earliest practical moment. We should thus perceive and appreciate the merits of redemption, as applied to our economic problems.

In the realm of international relationships, the existence of an essential confidence functions as the great harmonizing and stabilizing influence. The question emerges concerning how such an eminently desirable and essential condition can be consummated. Obviously this state of affairs cannot be attained through expecting that all the commercially-important nations should espouse similar ideological conceptions before a condition of composure, even though eminently desirable, is achieved. From a practical angle the attainment of such uniformity is obviously not within the realm of possibility.

Experience nevertheless indicates that where nations, having radically diverse political philosophies, enjoy lucrative and mutually beneficial trade relations among themselves, little incentive would obviously exist for one community to engage in active propaganda within the other. Assuredly, nothing valuable could be gained through the pursuit of such senseless activities. Considerations of practical intelligence would preclude them. Nations would, accordingly, be primarily free to pursue and enjoy, in a rather unhindered manner, their respective systems of economic and political thought.

The question may arise regarding the element or factor which basically supports this vital confidence, so imperative for creating and maintaining the beneficial relations among nations already suggested. It is in this connection that free convertibility supports and stimulates active commerce among the nations, and contributes to the arousing of mutually-beneficial associations, and the consequent enjoyment of internal prosperity by the participating communities. Accordingly, since peace, prosperity, and freedom, are related with the existence of profitable commerce among the nations, the contributions of redeemability to the three elements mentioned should receive proper recognition.

Furthermore, where inflation surges through a nation, its various elements and factions will invariably engage in what frequently becomes a wild scramble to achieve a preferred position in relation to the other arrangements in the economy, and thereby endeavor to immunize themselves against the storms of economic misfortune which usually occur when inflation rages within a community. This reasoning may help explain, for example, why labor has requested frequent advances in connection with a variety of fringe and other usually recognized benefits. Redeemability would obviously operate to correct in large measure such recurrent demands, through establishing conditions approximating stability.

Another fallacy that is related to irredeemability, even if indirectly, is the economic heresy which has received considerable publicity, that debts and other existing obligations have no significance since these are owed among the people themselves. This assumption would apparently maintain that debts can be ignored with impunity, with no economic reactions occurring. The emergence of such unscientific thinking could conceivably be expected to appear in a monetary environment where credit becomes redundant as a result of a plethora of fiat currency being unloosed, or where debt monetization has resulted in deluging a nation with credit of uncertain purchasing capacity.

This philosophy would apparently contend that obligations could be universally confiscated, without injury being inflicted upon any of the parties involved. The disasters that have occurred in nations wherein worthless currency circulated, and vast quantities of irredeemable credit were extended, provide practical examples of what may be reasonably anticipated, providing anything approaching the termination suggested should materialize in various nations. The redundancy of virtually worthless purchasing capacity tends to reduce interest rates very substantially and simultaneously advances prices to unapproachable levels. The rentier element with the constructive economic services which they have rendered would be liquidated. In their stead a largely inexperienced and relatively unqualified element would succeed to the positions of responsibility, from which the rentiers were evicted. Accordingly, the rentier element with their constructive economic capacities, would be displaced by an element of reduced vision and limited understanding. These are distinct possibilities providing the heresy indicated should be adopted and pursued by any nation. Redeemability would obviously restrain the development of such unsound convictions.

Three With Calif. Inv.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Lydia O. Gill, C. Alec Stabus and Simon Weiss are now with California Investors, 3924 Wilshire Boulevard.

Two With Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jack R. Evans and Herman Jacobson have been added to the staff of Samuel B. Franklin & Co., 215 West Seventh Street.

With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Wiley E. Daniels Sr. is now with B. C. Morton & Co.

Joins Paine Webber Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Allen G. Browne has become affiliated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Browne was previously with Kerr & Bell.

With Professional Service

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George S. Miller and Ben B. Yacht are now with Professional Service Plan, 1122 Crenshaw Boulevard.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Consolidation of the **First Suffolk National Bank of Huntington, Long Island, N. Y.**, with **The Bank of Northern Brookhaven in Port Jefferson, N. Y.**, and **The South Bay National Bank of Center Moriches, N. Y.**, became effective at the close of business Nov. 4, it was announced on Nov. 7 by George A. Heaney, President of the First Suffolk National Bank. The merger, it is stated, was approved by the shareholders of the three institutions at their respective meetings on Oct. 28, followed by the approval of the Comptroller of the Currency, at Washington, D. C. At the same meeting, shareholders approved the change of the consolidated bank's name from **First Suffolk National of Huntington to Security National Bank of Huntington.**

"This was done," Mr. Heaney said, "to avoid any possible confusion or misunderstanding with five other Suffolk County financial institutions that are presently using the name of Suffolk in their titles. Henceforth, the bank will be known as Security National Bank." The consolidated bank has total resources of more than $98,-000,000 with capital funds and reserves exceeding $7,200,000. It also increases the number of community banking offices from seven to 12. The offices and employes of the Northern Brookhaven and Center Moriches banks will, it is stated, be invited to continue with Security National and to participate in employee benefit programs now in effect.

* * *

A proposed increase in the capital stock and total number of shares of the **Long Island Trust Company of Garden City, Long Island, N. Y.**, through the issuance and sale of 10,000 additional shares and the issuance of 2,000 new shares as a 2% stock dividend on 100,000 shares outstanding, was announced on Nov. 3, by Fred Hainfeld, Jr., President. Subject to the approval of the stockholders at a meeting to be held Nov. 21, the new issue will be offered for subscription at $40 per share on or before Dec. 7, to stockholders of record at the close of business on Nov. 10, pro rata in proportion to their respective holdings on the basis of one share of new stock for each 10 shares held. The 2% extra stock dividend will be paid to stockholders of record on Dec. 1, 1955 at the rate of one new share for each 50 shares presently held. A regular quarterly dividend of 25 cents per share will be paid in cash on Jan. 3, 1956 to stockholders of record on Dec. 1, 1955. The new stock issue and the stock dividend will bring the total capital of Long Island Trust Company to $1,120,000 and surplus to $1,380,-000, or a total of $2,500,000. It is estimated that capital, surplus, undivided profits and valuation reserves by Dec. 31, 1955 will total approximately $3,300,000. To Sept. 30, 1955 a gain of more than 17% in total deposits of the company since Sept. 30, 1954 was reported. Deposits increased $5,-201,263 during the past year to a total of $35,376,687. Total assets, as of Sept. 30, 1955 aggregated $39,400,794, marking an increase of $5,619,518 in the 12-month period.

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President of the **Franklin National Bank**, Arthur T. Roth, of **Franklin Square, N. Y.**, announced on Nov. 1, several promotions incident to the recent expansion development program within the organization. Don Jones was elected Assistant Vice-President and will assist William F. Ploch, Vice-President in charge of the County Seat Office in Mineola. Thomas Mottola Assistant Vice-President will be transferred to the Franklin Square Office in charge of the Operating Departments. Ralph Pontifex, Assistant Vice-President, will assist Robert T. Correll, Assistant Vice-President and Manager of the Levittown Office. George Crumley formerly Assistant Installment Loan Management at the Great Neck Office will become Manager of the 288 Herricks Road Office in Mineola. Charles Kelleher, Vice-President in charge of the Mineola Office will now be located in the County Seat Office in Mineola along with William Etheridge and Elbert Hegeman, Assistant Cashiers.

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The conversion of the **National Bank of Great Neck, at Great Neck, L. I., N. Y.**, into a trust company under the name of the **Central Bank and Trust Company**, with a capital of $500,000, was authorized by the New York State Banking Department on Sept. 26. The institution has also been authorized to operate a personal loan department.

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Announcement was made on Nov. 2 by the New York State Banking Department of approval having been given to the **State Bank of Suffolk** at **Bay Shore, Long Island, N. Y.** to a Certificate of Amendment of Certificate of Incorporation providing for a change in shares from $487,500 consisting of 19,500 shares, par value $25 per share to $585,000 consisting of 58,500 shares, par value of $10 per share, and further providing for an increase in capital stock from $585,000 consisting of 58,500 shares, par value of $10 per share to 73,125 shares of the same par value.

In our issue of Oct. 20, page 1634, mention was made of advices by the Federal Reserve System that the **Bank of Amityville,** at **Amityville, L. I.** and the **South Side Bank of Bay Shore, L. I.**, had been merged under the charter of the latter and under the new title of the **State Bank of Suffolk.**

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The New York State Banking Department reports that as of Oct. 19, approval was given to a restated Certificate of Incorporation providing, in part, for an increase in capital stock by the **Peconic Bank of Sag Harbor, L. I., N. Y.** from $50,000, consisting of 2,500 shares of the par value of $20 each, to $62,500, consisting of 3,125 shares of the same par value.

* * *

An increase in the capital of the **Madison County Trust Co. of Oneida, N. Y.**, became effective Oct. 13, it is learned from the Weekly "Bulletin," Oct. 21, of the New York State Banking Department. Previously the capital, $150,000, in 12,000 shares, par $12.50 per share, has been enlarged to $200,000, consisting of 16,000 shares, of the same par value.

* * *

The **Marine Midland Trust Company of Central New York** has withdrawn its proposed plan of merger by which it would have absorbed the **Auburn Trust Company of Auburn, N. Y.**, George A. Mooney, **New York State Superintendent of Banks,** announced on Nov. 2. He explained that the plan had been before the Banking Department on an informal basis since its submittal on June 16, this year. It is announced that the acquisition of Auburn Trust, which, it is indicated, has total assets of $21,478,000, by the Marine Midland Trust Company of Central New York would have raised its own total assets from $114,077,000 to $135,555,00. The National Bank of Auburn, only other commercial bank in that city, has total assets of $16,817,000. The plans for the merger were noted in our issue of Sept. 8, page 982.

* * *

The First National Bank & Trust Company of New Canaan, Conn., has enlarged its capital as of Oct. 24, from $600,000 to $750,-000, by the sale of $150,000 of new stock.

* * *

Stockholders of the **Morristown Trust Company of Morristown, N. J.**, approved on Nov. 3 a proposal to increase the bank's capital stock by $40,000 through payment of a stock dividend on Dec. 7 to stockholders of record Nov. 7. More than 85% of the trust company's 48,000 shares, it is announced, were voted in person or by proxy in favor of the proposal. The action would increase the bank's capital stock account from $960,000 to $1,000,-000 by the transfer of $40,000 from undivided profits to pay for the additional 2,000 shares of the $20 par-value stock. Subject to the approval of State authorities, these shares would be paid to the bank's 700 stockholders as a stock dividend in the ratio of one share for each 24 shares now held.

George Munsick, the bank's President, in a recent letter to stockholders, said the bank's directors declared the stock increase advisable because of the "considerable growth" of Morristown Trust in recent years. An item with reference to the increase appeared in our Oct. 27 issue, page 1768.

* * *

The Provident Trust Company of Philadelphia, announced on Nov. 7 that Clinton S. Stiefel, formerly Vice-President in charge of the operations department, has been promoted to General Vice-President in which position he will coordinate the administration of various departments and divisions of the bank. William B. Carr, Comptroller, was named Vice-President and Comptroller, and J. Norman Miller, Richard M. Decker and Herbert W. Foedisch were appointed Vice-Presidents.

* * *

Howard A. Loeb, Chairman of the Board of the **Tradesmens Bank & Trust Company, of Philadelphia,** died on Nov. 3 at the age of 82 years. Born in Philadelphia he became a member of the firm of Francis Brothers & Jellett, Inc., consulting and constructing engineers in 1896, and continued with them until 1907. In that year he turned his attention to banking, being elected Vice-President of the **Tradesmens National Bank,** of which his father was then President. He was elected President of the institution in 1915 to succeed his father. In 1928 with the merger of that bank with the **Guarantee Trust & Safe Deposit Co.** and the **Chelten Trust Company,** Mr. Loeb was elected Chairman of **Tradesmens National Bank and Trust Company,** as the enlarged organization was named. In June 1953 when Tradesmens National Bank and Trust Company and the **Land Title Company** merged, Mr. Loeb was elected Chairman of the Board of Director of the merged banks.

Mr. Loeb was a member of the Foreign Policy Association now merged with the UNO and a leader in many other organized groups. He served as a member of the Federal Advisory Council of the **Federal Reserve System** from April, 1930 to December, 1940 and for a number of years was Vice-Chairman of the Council. Mr. Loeb was a director of the **Federal Reserve Bank of Philadelphia** from January, 1942 to December, 1947 and was Chairman of Group 1 of the Pennsylvania Bankers Association in 1947. He was a member of the Clearing House Committee from January, 1928 to January, 1934; Vice-President of the Philadelphia Clearing House Association, from 1934 to 1941 and later President from January, 1941 to January, 1949. He was Chairman of the Advisory Committee of the Philadelphia Loan Agency of the Reconstruction Finance Corporation from its inception in February, 1932 to April, 1951 when he resigned.

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The Akron National Bank of Akron, Pa., with common capital stock of $50,000 was placed in voluntary liquidation on Oct. 26, its business having been taken over by the **Fulton National Bank of Lancaster, Pa.**

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The First National Bank of Windsor, at Windsor, Pa., (common stock $50,000) was consolidated as of Sept. 30, with the **Drovers & Mechanics National Bank of York, at York, Pa.**, under the title and charter of the latter with common stock of $500,000. At the effective date of the consolidation the consolidated bank, it is announced would have a capital stock of $545,000, in 54,500 shares of comon stock, par value $10 each; surplus of $925,000 and undivided profits of not less than $105,000.

* * *

As a result of a stock dividend of $200,000, the **First National Bank of Austin, Minn.**, increased its capital from $200,000 to $400,-000 effective Sept. 28.

* * *

The capital of the **First National Bank of Mankato, Minn.**, previously $150,000, was increased to $300,000, effective Sept. 28, by a stock dividend of $150,000.

* * *

The directors of the **Citizens and Southern National Bank, of Atlanta, Ga.** recommended on Nov. 8 an increase in the bank's capital and surplus from $25 million to $30 million. This would be the second major increase in the bank's capital structure within one year. The bank's directors, meeting in Savannah, recommended:

(1) Sale of 100,000 additional shares of common stock at $30 a share to raise $3 million in new money; (2) Transferring enough funds from undivided profits and contingency reserves to give the bank a capital of $10 million and surplus of $20 million.

It is announced that stockholders will be asked to vote in favor of the stock issue at the annual stockholder's meeting in January. Upon approval, stockholders will receive rights to purchase shares at the rate of one share for every nine now owned. This stockholder group it is noted, reveals the statewide nature of the bank ownership with 3,000 stockholders. Completion of the sale will raise total capital funds and reserves of the bank over $35 million. By contrast in 1940 the bank's total capital stood at $9,015,181, deposits at $120,459,000 as of the last published statement, Oct. 5, 1955, deposits stood at an all time high of $389,970,138. Since 1940, $12,640,000 has been added to the bank's reserves and capital from earnings and after the proposed increase, sales of additional stock in 1948, 1951, 1955, and 1956 will have added $8,500,000 more to capital.

Commenting on Georgia banking as a whole, Mills B. Lane, President of the bank observed that deposits have grown an average of $150,000,000 a year for five years for a total of over three quarters of a billion dollars.

The sale, by the **Continental National Bank of Fort Worth, Texas,** of new stock to the amount of $500,000, has resulted in an increase in the bank's capital from $2,500,000 to $3,000,000. The increased capital became effective on Oct. 14.

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A charter was issued on Sept. 15, by the U. S. Comptroller of the Currency for the **Plains National Bank of Lubbock, at Lubbock, Texas,** with capital of $250,000 and surplus also of $250,000. The President is Thomas Paul Cobb, while Earl Crow is Cashier.

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The sale of $2,000,000 of new stock by the **First National Bank in Dallas, Texas,** has increased its capital, effective Oct. 26, from $20,000,000 to $22,000,000. The increase in the capital of the bank, was part of its plans to enlarge its capital structure to the extent of $10,000,000, details of which appeared in our issue of Sept. 22, page 1182.

* * *

What is termed the biggest merger in the history of banking in **San Francisco** is in progress, it was stated on Nov. 2, incident to an announcement by William W. Crocker, Chairman of **Crocker First National Bank,** and Paul E. Hoover, president of **Anglo California National Bank,** that the directors of their respective institutions had met informally and approved in principle the merger of the two institutions. In accordance with the plan, the merged bank will be headed by Mr. Crocker as Chairman of the Board and Mr. Hoover as President and Chief Executive Officer.

On Nov. 4 it was announced jointly by Messrs. Crocker and Hoover that the name of the bank into which their respective institutions are to be merged will be **Crocker-Anglo National Bank.** It was also announced that in addition to Mr. Crocker, Chairman of the Board and Mr. Hoover, President and Chief Executive Officer, it is proposed that Jerd F. Sullivan become Chairman of the Executive Committee; Paul B. Kelly, First Vice-President; and Mr. William Pflueger, Executive Vice-President. As has been previously reported, Mr. Sullivan will reach retirement age in July, 1956.

The decision to consolidate is the result of exploratory discussions which have taken place at management level, it is stated, extending over a period of the past two months. It is hoped, says the announcement, that necessary approvals, including that of the Comptroller of the Currency, can be secured, so that the consolidation can become effective early in 1956. Terms of the consolidation agreement will not be made public until they can be completed and formally submitted to the directors of each bank. The merger would bring together two old established California banks with deposits as of Oct. 5, 1955, of $1,309,098,720; resources of $1,-441,769,209; capital funds totaling $96,716,500.

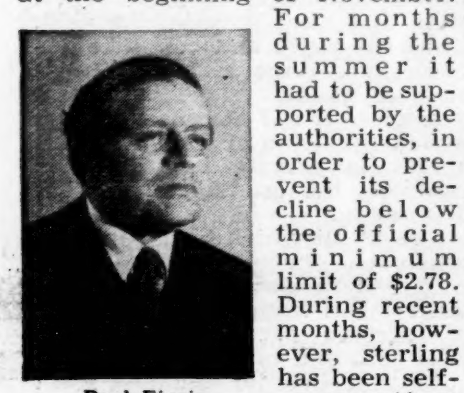
The Anglo California National Bank is the successor of the **Anglo-California Bank Ltd.,** which was incorporated in San Francisco in 1873, when it succeeded to the business of the banking and importing firm of **J. & W. Seligman & Co.,** founded in San Francisco in 1850. **The Crocker First National Bank** is the successor of (1) the **First National Bank of San Francisco,** incorporated in November 1870 as **First National Gold Bank of San Francisco,** opening for business in January 1871, (2) the **Crocker National Bank,** which began in 1883 as the private bank of **Crocker, Woolworth & Co.** One of the founders of the bank was William H. Crocker, son of Charles Crocker, who was one of the four builders of the Central Pacific RR. and one of the founders of the Southern Pacific System. William W. Crocker, the present Chairman of the Crocker Bank, is the son of William H. Crocker.

The Current Sterling Exchange Situation

By PAUL EINZIG

Dr. Einzig, noting that for the first time in 14 months sterling rose above the official minimum limit in terms of the dollar, ascribes this to both the improvement in the British trade balance and to "psychological influences." Says these "psychological influences" will have their ups and downs, but in the long run, the rate of sterling will depend on the British Government's ability to check the wages spiral with the aid of the credit squeeze.

LONDON, Eng.—For the first time in 14 months, sterling rose to a premium against the dollar at the beginning of November. For months during the summer it had to be supported by the authorities, in order to prevent its decline below the official minimum limit of $2.78. During recent months, however, sterling has been self-supporting, but remained persistently under the parity of $2.80. Its rise above parity caused great relief in official circles where a premium on sterling is regarded as a "vote of confidence" by the majority of foreign dealers. The British press points out with satisfaction that "once more sterling can now look the dollar in the face." After all the persistent devaluation rumors of recent times, there is indeed cause for satisfaction.



Paul Einzig

Will the favorable trend last? To answer it we have to analyze its causes. It is certainly too early for a seasonal turn of the tendency, as the autumn pressure does not end as a rule until December. The improvement is due in part to a reduction of the adverse balance of payments. We shall have to await the October figures before we can form an opinion about it. But the decline in the outflow of gold, together with the Chancellor's statement that most of last month's gold loss was incurred during the early part of October, is certainly encouraging.

The recovery of sterling must be attributed, however, mainly to psychological influences. Although the first reaction of the markets to Mr. Butler's Budget was unfavorable, on second thought dealers were inclined to revise their original impression that the new measures were more likely to cause inflation than deflation. For this reason, both the weakness of sterling and the boom in equities that followed the Budget statement soon became reversed. The main reason for this change of attitude lies in the realization of the significance of the Government's measures relating to housing subsidy and rent control. It is now evident that the Government intends to proceed with unpopular steps aiming at raising the level of rents. Those familiar with Britain's economic situation realize that one of the main causes of trouble has been the artificially low level of rents, as a result of which there has been an insatiable demand for housing accommodation. This has diverted to house building, an abnormally large proportion of capital investment, which has been largely responsible for excessive imports, labor shortage, and inadequate exports.

Admittedly, so long as the wages spiral continues to rise, the chances are that the workers will be able to secure increased pay to compensate them for the higher rents they have to pay. But what matters is that, even after having obtained wages increases corresponding to the increase in rents, the proportion of rents to their earnings will be higher than it is now. This should go a long way towards forcing them to moderate their requirements for housing accommodation. The change is not imminent. It may take some time before the Government will be able to introduce the bill amending the present rent control legislation. But the fact that such a step is intended is in itself sufficient to induce most people to moderate their housing requirements.

Another reason of the favorable second impression created by the new measures is the realization that the steps taken about limiting borrowing by local authorities will go a long way towards intensifying the credit squeeze. Hitherto the reduction in bank loans to the private sector of the economy has been largely offset by an increase in borrowing by the local authorities. Now that this loophole has been stopped, it seems reasonable to expect that credit restrictions will become more effective.

This may take time. But the mere anticipation of these effects was sufficient for strengthening sterling, because of the low level to which foreign sterling balances needed for normal trading purposes had been reduced, and because of the world-wide short positions in sterling. Once it is realized that a devaluation of sterling is not likely, sterling balances are likely to be replenished and the short positions are likely to be covered.

Sterling's weakness during the summer foreshadowed the possibility of its subsequent strength. For this reason, Mr. Butler's critics who accused him that, by hinting at the Paris Conference about the possibility of "flexible" sterling with wider range of fluctuation, he caused the loss of gold worth £100 million, were not altogether fair. After all, if foreign holders withdraw £100 million it reduces not only the gold reserve but also Britain's foreign short-term liability. And if foreigners go short in sterling, sooner or later they have to cover. There was no real loss involved.

The only real loss that is liable to arise whenever there is a sterling scare is due to the decline of foreign orders for British goods in anticipation of a decline in their prices through a devaluation of sterling. Foreign importers are inclined to defer their orders, so as to be able to benefit by the cheaper sterling rate. And more often than not, an order deferred is an order lost. For if bicycles are not bought in Britain, they are bought somewhere else, and the demand is satisfied. Such losses to the British balance of payment are irretrievable. The foreign balances which are withdrawn when sterling is weak may return when sterling becomes firm. But a large part of the orders which Britain missed during the sterling scare are not liable to be added to the normal volume of orders even after the revival of confidence in sterling. Psychological influences are bound to have their ups and downs. In the long run sterling will depend on the Government's ability of checking the wages spiral with the aid of the credit squeeze.

Securities Salesman's Corner

By JOHN DUTTON

The Doctor As An Investment Client

It is generally recognized, I believe, that one of the most profitable markets any security salesman can cultivate today, is among professional men who are in the higher income brackets, especially doctors. They are in a situation where high taxes on current earned income make it mandatory that they do something drastic if they are going to have funds for retirement, and for the years when they cannot attend to the multitude of duties connected with an active practice. Most doctors are acutely aware of this serious personal problem which not only involves their own welfare and peace of mind, as well as their families' future. Some have set up heavy life insurance programs to tide them over the years when their family obligations are the heaviest, and also to give them some assurance of at least limited savings if they live to retire. However, many doctors today are acutely aware that they must do something beyond life insurance and low yielding savings plans if they are going to achieve some partial compensation for a lifetime of hard work and public service.

A Receptive Market

During the past few years I believe that it has become much less difficult to contact and sell doctors on a program of investment securities than in former years. As the tax problem they face each year has continued to press upon the minds of successful doctors, their friends and associates have been investing in growth type stocks, growth mutual funds, and even speculative special situations. As they have achieved a certain degree of success, they have discussed the matter with their colleagues and the word is spreading around that stocks, mutual funds and tax-free bonds remain the only method of investing their savings that will give them some hope of building capital.

In connection with bonds on which interest is exempt from the Federal income tax, there is certainly a vast market among the doctors. All they want to know is how they can keep what they earn and this is one way still left available to them. Just tell your doctor that to one who has a taxable income of even $8,000 a year a 4% tax exempt income is the equivalent of 6%, and if he is in the taxable income bracket of $16,000 a year a 4% return is worth 8% to him on a taxable investment. If he is in a higher bracket it is still better for him. Make it simple, come to the point, show him how you can help him.

Understand the Doctor's Problem

Many securities men have refrained from cultivating doctor's accounts because of the difficulties encountered in seeing them at a favorable time and place. Although it is true that they are busy, their minds are involved with many problems day and night, and the more successful they are the less time they have for discussion of their own important personal affairs, if you can appreciate these things you can approach them more convincingly, and at a time, in such a manner as to obtain more interviews and better results as you work with them.

For example, I have found that if you approach your doctor prospects with the suggestion that you would like to talk with them about a method of building up their capital, or a plan for helping them to save some of their earnings that is now going down the drain to the tax collector, that you are going to have a better opportunity of obtaining a serious interview than if you try to sell them some securities, sell where the hurt is, HIGH TAXES!

Also, after you have done a good job for one or two doctors you will discover that they have been talking. Most doctors know and associate with other doctors. Your satisfied clients will give you permission to mention that you know them and do business with them. It is a field where there is a chain reaction of prospect to prospect and client to client. Prospect among your satisfied customers and you will find that even though it may be a bit more difficult to get started in this particular market, once you get a toe-hold and do a good job for a few clients you can build from there.

A Few Pointers From Experience In Selling Doctors

Make it simple. Convince your doctor client that you are going to help him make investments that can grow and that will help him to save on his income taxes. Don't go into long discussions about individual situations. Gain his confidence by your attitude toward his account and by showing confidence in your own recommendations. He is busy, his mind is on his patients and his many responsibilities. He would welcome a man who could say to him, "Doctor, when I have an investment that IS FOR YOU I will tell you about it. I will watch your investments and only keep you advised if it is necessary to do so. Otherwise, call me anytime and I am at your service. I will try my best to help you achieve success with your investments. You go ahead and practice medicine and I will watch over your investments to the very best of my ability."

Sometimes it is best to dramatize a situation to obtain an interview with a busy doctor. Several years ago I heard of a doctor who was one of the most successful and busy pediatricians in the city. He was acquainted with my firm but we had never done any business with him. Taking a shot in the dark, I called him when a very attractive growth type common stock was offered and we were in a position to place a sizable block before a few of our clients. I told his secretary that I wished to see him at the close of his office hours, that it was a matter that could be very beneficial and helpful to him, and that if he would see me I would be there at 5:45 when his last little squealing patient had been cared for.

The emphasis I placed upon the importance of the matter I wished to discuss opened the door. I went straight to the point. I said doctor, "Here is an opportunity we think can help you to make a capital gain that will be very substantial in a year or two." And from there on I sold him on the fact that he had a chance at least to MAKE AND KEEP SOME MONEY. He bought a substantial block of the stock and today he has a profit of over 350%. Now, when a situation comes along I tell his secretary to have him call me. He is no longer too busy to do so.

Doctors will speculate as well as invest. They will do almost anything they hope will help them to keep some hard earned income. But come to the point, show them well selected situations, take an interest in them, show them you respect their time, gain their confidence, be positive in what you say, and know your business. Doctor's live in a world that has little respect for fumbler's or people who do not believe in themselves. If you think you would like to try for some of this substantial business that is waiting for you among the doctors the results will be worth the patience and ingenuity you put into the effort.

Adams Re-elected by Am. Cancer Society

James S. Adams, New York City, general partner, Lazard Freres & Company, Vice-Chairman of the National Board of Directors of the American Cancer Society, was re-elected a director-at-large for a two-year term, at the Society's annual meeting, held Oct. 31 through Nov. 4, 1955 at the Park Sheraton Hotel in New York City.

James S. Adams

A. M. Krensky Co. In New Quarters

CHICAGO, Ill. — Arthur M. Krensky & Co., Inc., will officially open its newly enlarged offices on the 14th floor of the Board of Trade Building, 141 West Jackson, Nov. 10.

The new offices are the third occupied by the Krensky organization since it was formed in March, 1954. The firm will occupy 5,500 square feet on the 14th floor, an increase of 2,550 square feet over their former offices.

Highlighted in the firm's new board room will be a quotation board with nearly 700 listings, believed to be one of the largest on La Salle Street. This board will be twice the size of that in the former space.

Arthur M. Krensky & Co. holds membership on the New York Stock Exchange, American Stock Exchange, Midwest Stock Exchange and Chicago Board of Trade. In addition to its main office in Chicago, the firm has branches in Princeton, Ill., and Grand Rapids, Mich.

Sheraton Secs. Corp.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Sheraton Securities Corporation has been formed with offices at 470 Atlantic Avenue to engage in a securities business. Officers are Richard Boonisar, President; Ernest F. Henderson, Treasurer; and Theodore L. Cross, Secretary.

Joins R. S. Dickson

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Benjamin T. Vernon, Jr., is with R. S. Dickson & Company, Inc., Wilder Building.

With Kentucky Co.

(Special to THE FINANCIAL CHRONICLE)

LEXINGTON, Ky. — Harkness Edwards, Jr., is now with The Kentucky Company, 151-153 North Upper Street.

N. Modinos Opens

WILMINGTON, N. C.—Nicholas Modinos is engaging in a securities business from offices at 422 South Third Street.

Continued from first page

Net Debt in the United States

pared with a figure of $190.9 billion as of the end of 1929.

Is it unreasonable to assume, especially in view of the subsequent events, that perhaps we remained in the slough of the Great Depression precisely because debt did not expand? It is worthy to note that in the three years following 1939 net debt expanded by more than 40% to the then unprecedented figure of $259.0 billion. Simultaneously production leaped up and by the end of 1942, and for the first time since 1929, "full" employment was achieved.

To recognize that debt expansion may under certain circumstances bring about a rise in production and real incomes, and an increase in employment is not, however, to condone all types of debt expansion at all times. Nor does such recognition condone any given rate of debt expansion, or the manner in which the debt is financed, or the purpose for which the debt is contracted.

The insidious thing is that debt expansion, whether justified or not, gives a current sense of exhilaration and well being. It is not until later that its deleterious effects are recognized. Then it is seen that the problems "solved" were only postponed, and that the problems thus postponed return in an aggravated form.

The Servicing of the Debt

It will be noted that the subject under discussion is **debt** and **not credit.** Yet debt, from the standpoint of the community, is just the obverse of credit. Credit is often referred to as "the life-blood of industry," "the mobilizer and expediter of commerce," etc. Why then not take the cheerful, positive approach and discuss credit rather than debt? The reason is not that the writer happens to be a "high priest of the dismal science"—rather it is because the problem that will increasingly confront us will be—not the extension of credit, not the finding of adequate sources of loan-funds—but the servicing of the debts contracted.

People who endeavor to minimize the problem of debt are fond of pointing out that "our debt is owned to ourselves"; that much of the debt provides the public with liquid assets, thus inducing a "high marginal propensity to consume"; and that the relative burden of the debt is now less than in many past years.

Undoubtedly the fact that our debts are almost entirely held by our own nationals does reduce the difficulty of servicing them. Those who have studied the foreign exchange problems of debtor nations are well aware of the difficulties a foreign held debt can cause. But the "we owe it to ourselves" thesis rests upon an essentially false premise; that the transfer of funds from debtor to creditor, from taxpayer to bondholder, and indeed from one pocket to another does not have untoward and undesirable effects. Typically, debt charges are fixed charges; they are an operational expense which increase costs or in other ways decrease the expected margin of profits. Interest receipts on the other hand are a non-operational source of income for most businesses and individuals. They are not therefore added to prospective income in estimating the future profitableness of any given commitment. The result is that the servicing of debt exerts on balance a very depressing effect on the economy. Thus if our debt continues to grow to ever higher astronomical amounts we shall find it necessary to employ ever greater stimulants to counteract this inherently depressing influence.

There is more validity in the second argument of the debt rationalizers. Debt which is considered by the public as a liquid asset does induce the spending of a larger proportion of current monetary income on consumption, and balances are spent with more alacrity. Furthermore the debt held, except savings bonds and some other types of obligations, can be used as collateral for loans for the expansion of more debt; and all of this contributes to "keeping the wheels of industry moving."

The final argument of the debt rationalizers is that the "burden of the debt" shows no trend increase, and is actually less than in many past years. They note, for example, that in 1954 net debt as a percentage of national income was 203.3. This is exactly the same "burden" as in 1950 and compares with percentages of 222.4 in 1945; 233.6 in 1940; and 218.4 in 1929. Obviously the burden of debt has fallen since 1940 and is even less than in 1929. Comparative ratios of net debt to the Gross National Product yield equally satisfactory results; and an even more sanguine outlook on the problem of debt is obtainable by comparing interest charges on debt to national income.

But in all of these computations one very vital fact is blithely overlooked; namely, **that an expanding debt will cause an expansion in National Income and in the Gross National Product;** and if debt is expanding rapidly enough, and a sufficiently large proportion is financed through the commercial and the Reserve banks, the relative **current** burden of debt may even **decline**. Furthermore, if there is not too much regard for preserving the purchasing power of the dollar, interest rates can be pushed down to artificially low levels and debt made even less burdensome. In a superficial sense the direct monetary burden of debt can be reduced by these measures. But to assume that the real burden of debt can be thus alleviated is to fail to recognize that these measures simply shift the burden of debt from those who profit by inflation to the shoulders of those with relatively fixed incomes, and to those whose assets are payable to them in a fixed number of dollars.

The Increase in the National Debt

Table I reveals the fantastic rate at which debt has been expanding in this country since 1940. Approximately one-third of this expansion has been financed through the banking system. This has been the principal factor diluting our money supply and bringing about the rise in prices. Of the $136.3 billion increase in the money supply from the end of 1940 to the end of 1954, bank credit creation accounted for $135.9 billion. This process has inflated incomes as well as prices and kept the current burden of the debt within tolerable limits.

It has actually made the $605.5 billion debt of 1954 less burdensome in **that** year than the much smaller $190.9 billion debt of 1929 was in the earlier period.

Limits appear, however, to the utilization of the rapidly expanding bank financed debt to keep the burden of the debt low. It hardly seems possible that the burden of debt can be kept on an even keel by expanding debt. It should be recalled that the charges on debt are related to a cumulative figure; and since the multiplier effects of debt expansion on income, the ingredient from which the charges must inevitably be paid, is a non-cumulative figure, it would seem that the time will inevitably arrive when further debt expansion is no longer a practicable or possible expedient, either to provide full employment or to keep debt charges within tolerable limits.

The writer hardly wishes to propound these relationships as being of the nature of an economic law, for the tolerable limits of any debt structure are more psychological than mathematical; and there may be a loss of faith or confidence long before, or perhaps after, the date fixed by our mathematical time table. Nevertheless these relationships do exist, they seem to be inexorable in their operation, and the fact that we have not reached the limit of debt expansion as a consequence of the debt "binge" which we have indulged in since 1940 does not prove that debt limits, even though relative, are non-existent. Certainly there are very real limits if the value of the dollar is to be held within a reasonable semblance of its present purchasing power.

Studies of the United States Department of Commerce have made an invaluable contribution to an understanding of the relationship of debt expansion and contraction to levels of income, prices and employment. The two most recent studies of the Office of Business Economics of the Department of Commerce appear in the September, 1953, and the May, 1955, issues of the "Survey of Current Business." Table II contains a summarization of the more important data series. Data on the banks' contribution to our debt structure have been obtained from the "Federal Reserve Bulletin" and "Banking and Monetary Statistics," both of which are publications of the Board of Governors of the Federal Reserve System.

It will be noted that the estimates are of **net** and not **gross** debt. Net debt figures are of course much smaller than are gross debt figures. Thus, for example, the net debt of the Federal Government as of the end of 1954 was $230.2 billion compared to a gross debt of $278.8 billion. The object is not to minimize the debt but rather to arrive at figures which have the most significant economic import; to eliminate all duplicative totals and all figures which do not represent debt in the true economic sense, that is, cash expenditures in excess of cash income. Net Federal debt, for example, includes only debt owed to all sectors of the economy except the Federal Government. Excluded are the Old Age and Survivors Trust Fund and some other accounts. The Trust Funds are excluded because they represent a contingent liability. They have been offset by prior tax collections; they do not represent a debt growing out of a past expenditure of funds in excess of income. Similar considerations are involved in compiling net debt figures for state and local governments and for the private sector of the economy.

As with most statistical series there are definite limitations in their use in economic analysis. Being year-end estimates they do not correspond to the turning zones of cyclical movements. Neither do the figures reveal the significant economic purposes for which the debt was contracted or the manner in which it was financed. It would be of inestimable value in evaluating the economic significance of debt to know the purposes for which the funds were spent, and the sources of the funds. It is significant in the evaluation of debt, for example, to know that the debt was acquired to finance the acquisition of a new security the proceeds of which are used to finance plant and equipment expansion rather than the purchase of an existing security to finance the construction of a new house, rather than to finance the purchase of an existing one; to finance inventory expansion, rather than refinance existing inventories. The former types of investment are designated as "real" as contrasted to the latter, which constitute "financial" investment. Financial investment provides a relatively insignificant demand for labor and materials and in some instances the over-all effects may actually be retarding to the economy. Compared to real investment it is rather inconsequential as a contributor to employment and production. Only debt growing out of real investment or consumption makes an actual direct demand for labor and materials.

The extent to which an expanding debt is a stimulating factor also depends on the manner in which the debt is financed. Debt financed from voluntary savings, which is all debt except that held by the commercial and the Reserve banks, provides an outlet for savings. Insofar as the money supply is concerned it is a velocity factor. The stimulating effect of this type of debt expansion arises entirely out of the fact that it is the catalyst which changes idle into active funds. Debt financed by the commercial and the Reserve banks has a much more stimulating effect because it involves an enlargement of the money supply, and the dynamics created in the economy by the process of bank credit creation tend to cause an increase in the velocity of money. Reserve bank financed debt not only enlarges the money supply but, by causing the excess reserves in the commercial banks to expand, lays the basis for a multiple expansion of bank credit—and the money supply. Other things being equal, bank financed debt has a much more expensive effect on production, employment and prices than does non-bank financed debt; and Reserve bank financed debt much more so than commercial bank financed debt. It is not an accidental phenomenon that upswings in business activity are associated with expanding bank credit, and down-swings with contracting bank credit.

On the basis of the record the statement seems justified that we cannot have a sustained high level of production and employment without a large, and perhaps an accelerated, expansion of bank credit, with the concomitant dilution of our money supply.

Table II, based upon Department of Commerce and Federal Reserve statistics, indicates the total net debt public and private as of the end of each year from 1916 through 1954. The table is broken down into the principal components of public and private debt and the subdivision on bank financed debt indicates the extent to which our debt has been "monetized" by the commercial and the Reserve banks.

According to these estimates net debt rose by nearly 56% in the three-year period ending in 1919. This and the period up to about the last quarter of 1920 was a period of high war prosperity. Total debt remained relatively unchanged from the end of 1920 to the end of 1921 in spite of some pick-up in business activity during the last part of 1921. While bank financed debt declined during this primary postwar depression, the net change being $4.3 billion from the end of 1920 to the end of 1922, total net debt expanded throughout the period, albeit by only $0.4 billion from the end of 1920 to the end of 1921.

It is worthy of note that after 1919 Federal debt declined, but this change was more than offset by an expansion of private and state and local government debt. Thus the rapid and complete recovery from the 1920-21 depression ran counter to Federal fiscal practices. It did not take Federal deficit financing or Federal guarantees to private borrowers to resurrect the economy from that depression.

The trend which began in 1919 continued throughout the '20s; with Federal debt decreasing and other types increasing. The rate of increase began to taper off after 1928 and there was virtually no change in total net debt from 1929 to 1930. The banks financed $15.8 billion or nearly 30% of the debt expansion that took place from the end of 1922 to the end of 1929.

The increase of debt in the late '20s had a less expansive influence than the absolute figures would suggest. An increasing proportion of the debt was represented by brokers' loans and other types of financial investment. While rising security prices provided some indirect stimulation to employment and production, perhaps the net effect of diverting bank credit and the savings of the public into this type of financing was to create a net depressionary effect on the economy.

Beginning with the collapse in 1929 bank financed debt declined very rapidly. From the end of 1929 to the end of 1933 total debt declined $22.5 billion and of this total the banks accounted for $17.6 billion. With real investment outlets evaporating and the money supply being destroyed at this rate, the years of the downswing of the Great Depression could hardly have been less than catastrophic.

While total debt reached a minimum in 1933, standing at a figure of $168.5 billion as of the end of that year, private debt continued to decline until 1936. In a very accurate sense it may be said that the limited recovery from 1933 to 1936 was in spite of the private sector. The net expansion of bank credit of $8.5 billion which occurred during this period was wholly attributable to the increased monetization of the Federal debt.

In the 1937-38 period Federal debt continued to expand exerting a counter-cyclical influence, but the balancing of the cash budget one year earlier is said to have been one of the principal factors inducing this depression within a depression. Private debt declined rapidly in the last part of 1937 causing a net over-all decline in debt of $2.4 billion and bringing about one of the sharpest declines in business activity in American business history.

The behavior of total debt and its components during the entire period of the Great Depression is especially noteworthy. Total debt which stood at a figure of $190.9 billion as of the end of 1929 and $191.0 billion as of the end of 1930, sunk to a figure of $168.5 billion as of the end of 1933, rose to $182.0 billion as of the end of 1937 and then fell back to $179.6 billion as of the end of 1938. There was little recovery after

TABLE I

Changes in Gross National Product, Net Debt and the Money Supply, 1940-1954

(Figures in billions of dollars)

	1940	1954	% Increase
Gross Natl. Prod. (in constant 1947 dollars)	$171.6	$297.0	73.1%
Total Net Debt, Public and Private	189.9	605.5	218 8
*Money Supply	58.0	194.3	235.0

*Includes (adjusted) demand deposits, currency outside banks and time deposits in the commercial banks.

that until the outbreak of war in Europe. By the end of 1940 net debt had only reached $189.9 billion, a figure slightly lower than a decade earlier.

We have heard much of "New Deal pump priming," and the alleged failure of the same, but an examination of the debt figures reveals that as fast as the government sector "primed the pump" the private sector "unprimed" it. Whereas net public debt expanded from $29.7 billion as of the end of 1929 to $61.3 billion as of the end of 1940, an increase of $31.6 billion; net private debt declined from $161.2 billion to $128.6 billion during the same period, a decrease of $32.6 billion. The next five years were to reveal what large scale government "pump priming" could really do to the economy.

The expansion of debt in this country since 1940 has been nothing less than fantastic. Up to the end of 1945 the principal impelling force grew out of the war-incurred deficits of the Federal Government. After 1945 the mad pace of debt accumulation slackened somewhat and the source shifted to the private and the state and local government sectors, but by all prewar standards, the rate of debt expansion was still prodigious.

The sharp and unprecedented expansion in the Federal debt after 1940 was virtually the sole force which finally pulled the country out of the slough of the Great Depression. Even so it was 1942 before a condition of full employment had been achieved. During the 1940-45 period total real debt expanded by approximately $193.5 billion. Thus in the short space of five years the total cumulative net debt in existence at the end of 1940 was more than doubled. Practically all of this expansion, or $185 billion, was accounted for by the expansion of the Federal debt.

It will be noted that the table shows an expansion of Federal debt in the 1940-45 period of about $208 billion. This figure overstates the real expansion by about $23 billion. During this period the Treasury increased its balances in the General Fund Account by approximately this figure, or to a total of $26 billion as of the end of 1945. One year later these balances had been drawn down $22.5 billion. In other words the real expansion of debt was not $216.5 billion but about $193.5 billion. This adjustment has the effect of changing the apparent net decrease in debt from 1945-46 from $8.9 billion to an actual increase of net debt by $13.6 billion. The decline in apparent net debt from 1945-46 did not produce a depression because it was a fictitious debt reduction. It merely involved cancelling out excess balances held by the Federal Government in the banks, **balances which had never been spent.** It did not involve the use of a tax surplus to retire outstanding debt. Private debt actually expanded by about $14 billion in the 1945-46 period. Any valid explanation of why the transition from a war to a peacetime footing was accomplished with such a small increase in unemployment must take these facts into account.

Expansion of Private Debt

The post World War II period has been chiefly characterized by an unprecedented expansion of private debt. From the end of 1946 to the end of 1954 total net debt increased by $208 billion of which $187.7 billion can be accounted for by the expansion of private debt. Thus it may be seen that the postwar period almost duplicates, in aggregate terms, the war period but with the roles of the Federal Government and the private sector reversed. During this period the Federal Government made no direct net contribution to the growing mountain of debt. Real net Federal debt, which was $229.7 billion as of the end of 1946 was approximately the same or $230.2 billion as of the end of 1954. In the interim the net Federal debt fell to a low of $216.5 as of the end of 1948. Indirectly though through its elaborate system of guarantees to and underwriting of private debt the Federal Government made an extensive contribution to the further accumulation of debt.

Not only has the expansion of debt since 1940 been nothing short of fantastic, rising 218.8% or to the stupendous figure of $605.5 billion as of the end of 1954; but the participation of the banks, both in absolute and relative terms, has been on an unprecedented scale. In the entire 24-year period from the end of 1916 to the end of 1940 the banks' net contribution to our money supply through their credit creating activities was only $25.5 billion. By the end of 1954 bank financed debt aggregated $182.0 billion compared to a figure of $46.1 billion as of the end of 1940. In other words in this 14-year period the banks' contribution to the creation of new debt—and the dilution of our money supply—was the incredulous amount of $135.9 billion! Most of this increase came in the 1940-46 period during which bank financed debt increased $92.0 billion and accounted for about 44% of the total expansion. In the 1947-54 period bank credit accounted for $43.9 billion or approximately 20% of all net increases in debt.

From the record it is apparent that the economy has been operating under "forced draft" since 1940. The outpouring of this tremendous flood of new money has kept profits and employment high, and had it not been for the tremendous increase in our productivity it would surely have produced a sharp inflationary spiral rather than the rather moderate inflation which we have thus far experienced.

This situation raises the question: Is a rapidly expanding debt —and concomitant dilution of our money supply — necessary to achieve "full employment"? And if this is so, is there not a limit beyond which debt charges become intolerable to the functioning of a free enterprise system?

Before attempting to provide answers to these questions it seems advisable to consider certain of the basic structural changes that have occurred in our economy which make improbable the old and familiar cycle of debt expansion and contraction.

Before the Federal government began to assume a far-reaching responsibility for maintaining high and stable levels of employment and production, this country used to go through a "boom and bust" cycle in a somewhat irregular though rhythmic fashion. On the upswing there would be expanding output, the organization of new firms, a plethora of bank credit, speculation, perhaps rapidly rising prices, and in due course an unwieldy and tottering debt structure. Then would follow the collapse, perhaps a panic would ensue, prices would fall, unemployment and bankruptcies would become widespread — and debt would contract.

This painful and excruciating process of going through the "economic wringer" apparently will no longer be tolerated. And this is attested to by our laws, notably the Employment Act of 1946, by the existence of numerous governmental agencies, and by a host of governmental administrative practices and policies dating from the "New Deal."

If this be true any significant reduction in the volume of outstanding debt is out of the question. But the important and crucial question is whether debt must continue to increase at the accelerated pace of recent years if the full employment objectives of the Federal government are to be realized.

The evidence seems to suggest that any real slowing down in the rate of debt expansion will produce an intolerable level of unemployment, and make the existing structure of debt insupportable. It is noteworthy that the 1953-54 recession occurred although net debt was increasing by about $21 billion; and that the 1949 recession was accompanied by an increase of net debt of $13.6 billion.

There seem to be two basic factors impelling us to expand our debts at this mad pace. One is the exceptionally high rate and volume of saving, and the other grows out of the pricing practices of the community.

The very large volume of savings results from our high levels of money income, and the pattern of income distribution. Department of Commerce figures indicate that the upper 10% of income receivers account for about 70-80% of all savings on the average, and in a few of the postwar years this group has accounted for over 100% of all savings. In other words the other 90% spent more than their cash income. If these savings are not to exert a depressing influence, creating the unemployment the Federal government is committed to forestall, then there must be an **outlet** for these savings. In other words there must be a concomitant expansion of debt. Furthermore this debt must be of the type which involves the financing of real things—new houses, new plant and new equipment. If this occurs the "circuit income velocity" of money is maintained.

But apparently this is not in itself sufficient to provide full employment. There are some "leakages"; savings are held idle in the commercial banks, or are utilized in financing the turnover of existing properties or claims thereto; and the pricing practices of the community apparently necessitate some "supplementation" of the purchasing power that is disseminated in the processes of production. It is for these latter reasons that part of the expanding debt must be financed through the commercial and the Reserve banks. In other words full employment requires more than the unretarded use of the voluntary savings of individuals and corporations in the financing of real investment due to the apparent circumstance that the volume of goods and services offered on the markets in a given period **at the prices asked** typically exceeds historical costs of production.

Thus if the leakages referred to above are to be offset, and the deficiencies of purchasing power created by the administered price structure are to be adequately compensated, it is necessary that the banking system supplement purchasing power through the creation and dissemination of new money. This has the effect of producing money income (and purchasing power) for which there are no antecedent costs.

The banks are able and willing to do this if they are provided with ample excess reserves, and the opportunity to make safe and profitable loans. The first condition, involving the **ability** to loan, is controlled through various monetary devices such as the expansion or contraction of Reserve bank credit, reduction or increase in reserve ratios, etc.; the latter condition involving the **opportunity** to loan has been supplied through the sale of government or government guaranteed obligations to the banks, or other obligations for which the government provides a liquid secondary market.

Prior to 1929 profit expectations, operating within the framework of a system that was basically capitalistic, were apparently adequate for the achievement of high and rising levels of production and employment. Increasingly since 1929 government deficit financing — or government guarantees or other inducement to private debt expansion have been relied upon. This reliance on the device of date expansion — and bank financed debt — to promote high levels of production and employment, and to provide adequate profit incentives, is explainable in part because it is, for the near term, the easiest and most politically expedient. It interferes least with the traditional economic freedoms of the business and labor community, and it avoids, or at least minimizes, constrictive direct controls.

Prospects of Debt Increase

There seems to be little evidence to contradict the assumption that our full employment objectives will continue to be largely achieved through a continued and rapid expansion of public and private debt; and the pricing practices of the community will be the principal factor necessitating financing a large proportion of this debt through the commercial and the Reserve banks. If this conclusion is largely correct then the full employment objective is definitely inconsistent with the preservation of the purchasing power of the dollar. But until such time as debt accumulation produces a loss of confidence in the credit of the Federal government (and this may never come about) it will produce only a "garden variety" of inflation, the kind that is often referred to as "creeping inflation" — not a hyper-inflation of the runaway price level type. (This last observation also points up one of the essential differences between Federal and all other types of debt.) Lastly, while there is no real limitation on the ability of the banking system to create credit (and debt) there seems to be a limit, albeit indefinite and indeterminate, to the ability of the economic system to service the debt created.

Addenda: It will be noted from the data in my article that in the year 1954, a year of minor recession in many lines of business, net debt grew by about $21 billion or 3½%. In 1955 the debt must be growing at least as rapidly, since instalment loans and short-term business borrowing which lagged some last year are now moving up rapidly, while mortgage and other types of debt have continued upward. If total debt expands merely by the same $32 billion as it did in 1953, that will amount to another rise of 5%. This would mean that in 1955 the percentage growth in net debt was equal to the rate of growth of Gross National Product in two yeas—from 1953's $365 billion to this year's estimated $383 billion.

It would seem that somewhere, somehow, if debt keeps rising faster than production, the burden of interest charges at some point, now indefinite and unknown but nevertheless real, will become too great to carry. Or we will be forced to another round of inflation in order to make the burden tolerable. Perhaps a better answer to the problem of debt than inflation is possible, but if there is such an answer it seems to be unknown today.—L. J. P.

TABLE II
Total Net Debt in the United States, 1916-1954
(billions of dollars)

End of Year	Total Net Debt	Net Debt: Private	Net Debt: Public	Net Federal Debt	*Bank Financed Debt	Change in: Total Net Debt	Change in: Bank Fin. Debt
1916	82.1	76.5	5.6	1.2	20.6	--	--
1917	94.4	82.4	12.0	7.3	25.0	12.3	4.4
1918	117.4	91.5	25.9	20.9	29.7	23.0	4.7
1919	128.0	97.2	30.8	25.6	[illegible]	10.6	5.2
1920	135.4	105.8	29.6	23.7	39.5	7.4	4.6
1921	135.8	106.2	29.6	23.1	35.7	0.4	—3.8
1922	140.0	109.5	30.5	22.8	35.2	4.2	—0.5
1923	146.3	116.3	30.0	21.8	38.5	6.3	3.3
1924	153.0	123.0	30.0	21.0	41.0	6.7	2.5
1925	162.6	132.3	30.3	20.3	44.4	9.6	3.4
1926	168.8	138.9	29.9	19.2	45.2	6.2	0.8
1927	177.3	147.6	29.7	18.2	48.4	8.5	3.2
1928	185.9	156.1	29.8	17.5	51.1	8.6	2.7
1929	190.9	161.2	29.7	16.5	51.0	5.0	—0.1
1930	191.0	160.4	30.6	16.5	48.1	0.1	—2.9
1931	181.9	147.9	34.0	18.5	41.5	—9.1	—6.6
1932	174.6	136.7	37.9	21.3	37.2	—7.3	—4.3
1933	168.5	127.5	41.0	24.3	33.5	—6.1	—3.7
1934	171.4	125.1	46.3	30.4	36.2	2.9	2.7
1935	174.7	124.2	50.5	34.4	38.5	3.3	2.3
1936	180.3	126.4	53.9	37.7	42.0	5.6	3.5
1937	182.0	126.7	55.3	39.2	40.9	1.7	—1.1
1938	179.6	123.1	56.5	40.5	41.2	—2.4	0.3
1939	183.2	124.3	58.9	42.6	43.2	3.6	2.0
1940	189.9	128.6	61.3	44.8	46.1	6.7	2.9
1941	211.6	139.0	72.6	56.3	53.0	21.7	6.9
1942	259.0	141.5	117.5	101.7	73.6	47.4	20.6
1943	313.6	144.3	169.3	154.4	96.7	54.6	23.1
1944	370.8	144.8	226.0	211.9	125.2	57.2	28.5
1945	406.4	140.0	266.4	252.7	149.1	35.6	23.9
1946	397.5	154.2	243.3	229.7	138.1	—†8.9	—†11.0
1947	418.0	180.3	237.7	223.3	139.5	20.5	1.4
1948	434.3	201.6	232.7	216.5	138.4	16.3	—1.1
1949	447.9	211.2	236.7	218.6	139.7	13.6	1.3
1950	488.2	248.8	239.4	218.7	148.9	40.3	9.2
1951	521.2	279.2	242.0	218.7	156.4	33.0	7.5
1952	552.7	302.7	250.0	224.2	166.5	31.5	10.1
1953	584.7	328.0	256.7	228.1	171.6	32.0	5.1
1954	605.5	341.9	263.6	230.2	182.0	20.8	10.4

*Includes Federal Reserve Bank Credit as well as all commercial bank credit.

†A fictitious debt contraction caused by the Federal Government canceling out excess balances held in the commercial banks. The figure of $252.7 billion overstates the real net debt of the Federal Government as of the end of 1945 by approximately $23 billion.

SOURCES: Office of Business Economics, United States Department of Commerce, "Survey of Current Business," September, 1953, p. 14; May, 1955, p. 9. Board of Governors, Federal Reserve System, "Banking and Monetary Statistics," 1941; and "Federal Reserve Bulletin."

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Roland J. Ross is now with Investors Planning, Corporation of New England, Inc., 68 Devonshire Street.

Three With Kidder Peabody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Alfred J. Ford, Jr., John F. Morse and Vince F. Murphy have become associated with Kidder, Peabody & Co., 75 Federal Street. All were previously with Federated Management Corp.

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The Canadian Economic Outlook

strong until recently to lead to their development.

Many other resources would not have been discovered and certainly not developed had it not been for the sustained demand for the products concerned—a demand which as it persisted led to increasing outlays on exploration and development, and frequently to better methods of utilization and conservation of already developed resources. Admittedly, new techniques and better methods of exploration have contributed substantially to the development of the Canadian resource industries. And in the case of petroleum, the element of discovery itself played a major role in stimulating new exploration activities, as is shown by the enormous increase in expenditures for oil exploration after the discovery of the first major field at Leduc in 1947. But even in the case of oil, markets do not find themselves and the future rate of production and development will to a large extent be governed by marketing possibilities. So far as natural gas is concerned, development is still awaiting the working-out of suitable transportation arrangements which are complicated by your national policies as well as by our own.

I do not wish to leave the impression that Canadian growth is mainly a matter of big resource projects. In fact, the increase of production and employment in the secondary industries and the service trades has been several times as large as the corresponding increases in the basic industries. The population figures tell the same story. During the postwar period, the great increase in population has been in the big urban centers and not on the frontier. While such towns as Uranium City, Kitimat, Seven Islands, Arvida, Campbell River, have shown phenomenal growth, the big absolute increases in population have been in the large urban centers, and particularly in Toronto, Montreal and Vancouver, the three largest. The importance of the natural resource development lies in the generating force that it has given to the whole economy. We have had a physical as well as technological frontier and this has given vitality to our development. It has resulted in a large and growing demand for capital equipment, for transportation and public utilities. It has given marked impetus to the manufacturing industries, especially to those making capital goods, it has attracted immigration, and through the widening economic opportunities it has opened up it has provided a favorable environment for rapid population growth.

Part Played by U. S. Investment and Know-How

You will appreciate more than many Canadians what an important part American investment and know-how have played in the recent development of Canadian resources. Canadians sometimes pride themselves on the fact that a very large proportion of the total investment program has been financed in Canada from Canadian sources. In the past few years it would appear that around 85% of an annual investment program averaging $5 billion has been Canadian-financed and, considering the scale of the program, this is impressive. What is often overlooked, however, is that the 85% financed in Canada includes practically all of the housing, roads, schools, defense installations, most of the public works, most of the services and merchandising and a lot of the manufacturing. The 15% financed by nonresidents, largely from your country, includes a very large share in the petroleum, aluminum, iron ore and base metal developments and a substantial share in the pulp and paper industry and certain other manufactures such as automobiles and chemicals. In other words, American participation in our basic resource development has been large.

We are fortunate to have such a large United States participation because it has meant that many developments have gone ahead more rapidly and efficiently than would otherwise have been possible. We needed to import know-how as well as money from the United States and the two very frequently came together. To some extent, however, I think that there is room for criticism of Canadians in that their participation in the frontier development has not been larger. Canadians have been rather conservative. Some of us have been slow to recognize the potentialities of our own country. Perhaps we have remembered too well the great depression. Canadian investors have been a little too inclined to buy the "safe" investments — the bonds — rather than the "risky" investments — the equities. And in a young and growing country with a great future, this leaves something to be desired. We should take a leaf out of your book in the United States when at a similar stage of development you tended to sell the bonds in London and to keep the equities for yourselves or, in any case, to buy back the equities as quickly as you could. I think we shall do that in Canada as time goes on, but we are going to pay a good deal more than we should have if we had bought earlier.

Underlying Trend Decidedly Upward

To sum up, I think that the underlying trend in Canada is decidedly upward. World demand for our basic products is, with the exception of wheat, strong and there is much to suggest that it will continue to expand. The growth of the American economy, the recovery of Western Europe, and the rapid increase in the world's population and the trend to more industrialization all suggest a rising demand for the kind of basic commodities that Canada is particularly favored to produce —metals of most kinds new and old, other minerals including oil and gas and asbestos, forest products of every kind, and even grains. Moreover, I think Canada has shown an ability to adapt her economy to changes in world demands in recent years, which augurs well for a future in which technological advance may be very rapid with resulting shifts in demand from one commodity to another.

But Some Questions About Near-Term

However, I do not wish to suggest that there are no questions or problems concerning the future. Though conditions in both your country and Canada are very active today, that activity has depended to a substantial degree on a high rate of demand for automobiles and houses. The demand for both these important products remains reasonably strong, and there is a good deal to support the view that the demand will continue at a high level. The automobile population does not appear to be out of line with the increase in income and human population and, though family formation is not quite as high as it was, there is a substantial demand for better and roomier housing accommodation. But it is also possible that there might be a decline. The automobile population is relatively new, which means that demand can be fairly readily postponed, and there will be fewer new families to buy new houses and new cars for the next few years until the adult population is again swelled by the coming of age of those born in the '40s.

And then there is the disconcerting fact that farm income in both countries has been declining for several years. Whether this is a serious matter in the United States or not, it cannot be taken lightly in Canada. Nobody can be sure of how business conditions will develop. But I do not think that we should take matters for granted in the next few years. We have had a pretty good experience in the postwar period and after a number of false alarms concerning recessions and depressions, there is always the danger of taking things for granted and of adopting a "new era" philosophy. Our skepticism in the past has undoubtedly protected us on this continent from excesses and it is to be hoped that without being pessimistic we can maintain a questioning and alert attitude.

Problems of Canadian Secondary Industries

Now let me say a few words about Canada's economic problems. Good as it is, the Canadian picture is not uniformly satisfactory. Indeed, the very strength of some of our basic industries and the big capital development program with its large demands for equipment and labor have set wage standards which a number of the less favored industries have had difficulty in meeting. At the very time when external competition from the United States and from overseas countries was increasing, our protected domestic industries found their cost structure rising and this produced serious difficulties for some of them in 1954, including textiles, household appliances and some of the heavy equipment industries. There has been an improvement this year but some of the industries affected remain in difficulty and a number of them are pressing strongly for additional protection. The United States is not the only country where there are vocal and organized groups advocating protection.

The position of these industries cannot be readily dismissed. They have a real problem. They are faced with very keen competition from United States producers and from overseas and they are generally receiving less protection than they did before the war and in some cases a good deal less protection than the corresponding industries in the United States. They have to meet wage standards set by the prosperous resource and construction industries and, because the Canadian market is relatively small, they are often not in a position to obtain the economies of large-scale output. If some of these industries were permitted freer access to the United States market, they might be able to gain the advantage of large-scale production, and there are, indeed, a number of Canadian manufacturing industries which could be efficient, large-scale producers if they were accorded better access to your market. But this seems very difficult to arrange and the result is that many of our manufacturers think in terms of trying to get more protection rather than in terms of trying to develop natural geographic markets just across the border.

So here you have one of the dilemmas of Canadian policy. Should such secondary industries be given additional protection where necessary in the interests of maintaining the present pattern of employment but at the expense of increasing costs for other industries and consumers generally? There is no simple answer to this question. Much depends on the severity of the problem and on the extent to which alternative employment may be available. And, it should be added, a good deal depends on U. S. policies for, if you were to make your market more accessible to our manufacturers and to pursue a more liberal trading policy generally, the pressure toward protection in Canada would be lessened.

Disadvantages of a High Exchange Rate

The difficulties of our secondary industries have also been aggravated by the high exchange rate on the Canadian dollar. When we abandoned the fixed exchange rate and adopted a market rate of exchange, the Canadian dollar gradually strengthened and it was not long before it went to a premium over the United States dollar. I suppose this was good for the national pride after so long a period when the United States dollar was at a premium. For a while there was a certain amount of rejoicing at the strength of our currency. It was certainly a welcome development for the consumer during the inflation of the Korean War since it tended to check the increase in living costs.

But for the business community the feeling of exhilaration did not last very long. Businessmen soon became acutely aware of the disadvantages of a high exchange rate. This was clear enough in the export industries where it frequently meant a reduction in the Canadian dollar return. But it soon became even more embarrassing for the protected domestic industries where the high rate simply meant a fortuitous and quite significant reduction in protection at the very time when external competition was increasing for other reasons.

However, there was no easy or painless way of reducing the exchange rate. For the monetary authorities to try to lower the rate by purchasing U. S. dollars would not necessarily produce the desired result. U. S. investors might take a different view and, because of the size of the U. S. economy, their demands for Canadian dollars could be so large as to outweigh Canadian policies. The only method that offered any promise of making the Canadian dollar go down was for the Canadian authorities to pursue an expansive monetary policy and in due time this is what our central bank did. From late in 1953 to the spring of 1955 it followed a policy of such "monetary ease" that Canadian bond yields and short-term money rates fell even more than did those in the United States. This policy resulted in a diminishing interest on the part of Americans and other non-residents in Canadian bonds and in a virtual cessation of Canadian borrowings in New York. It also induced an outflow of short-term funds from Canada to New York and London. And for these reasons, among others, the Canadian Dollar actually did decline significantly—from a high of about \$1.03½ in U. S. funds to less than \$1.01 at present.

It would be wrong to imply that the expansive monetary policy was pursued purely with a view to getting the exchange rate down. There was a significant amount of unemployment and some decline in certain types of investment and an expensive policy was appropriate for these reasons as well. But it would have been desirable to get the exchange rate down more than a mere 2½ or 3 points if the only consideration had been that of reducing the impact of external competition in the Canadian economy. In fact, of course, there were other important considerations. To have pushed the exchange rate down appreciably more would have necessitated an even easier monetary policy than that which was pursued and which for a time carried yields on Canadian Government securities except those of the longest maturities below yields on corresponding U. S. Government obligations. In other words, to get the exchange rate down more would have involved the pursuance of a decidedly inflationary policy. As business picked up this would have been clearly inappropriate and, in fact, in the face of the resurgence of economic expansion, monetary policy has tightened and has been of a more restraining character recently.

This is another example of the difficulties of determining appropriate economic policies for Canada. Most of our policies must be compromises between conflicting considerations and conflicting interests, and for this reason they are frequently unsatisfying and even frustrating. While on balance we gain greatly by living beside such a big, wealthy and friendly neighbor, there are a few disadvantages, among which are the limitations on our own policies imposed by your sheer bulk and proximity and the effect on Canadian nervous systems of the way in which your commercial policies are debated and sometimes implemented.

Question U. S. Farm Surplus Disposal Policies

Here I come to the most serious current problem in the Canadian economy and to one in which Canadians find your policies disturbing — the problem of the grain surplus and the decline in farm income. Farm income has declined moderately in the last few years and this year, though we have a fine wheat crop, the whole storage system is full and deliveries are and will remain for a very considerable time severely restricted. The only way that space can be found to absorb wheat from the farm is to move more wheat into export channels. And here we have been encountering a difficult type of competition from your country.

Naturally, we do not blame the United States for our surplus wheat problem. But to be frank, many Canadians believe you are aggravating it and pursuing policies which can scarcely be regarded as neighborly. You have gone ahead and built up a price-support structure which is frequently higher than world prices. Because your price supports are frequently above world prices, you impose import quotas when you have surpluses or threatened surpluses in your own market, to keep out lower priced goods from Canada and other countries. Now you have gone a step further and embarked on a vigorous program to dispose of your wheat surplus and certain other farm surpluses in world markets and in doing so you have been and are employing local currency deals, barter deals and give-away arrangements. In effect, you are subsidizing your exports in order to reduce the surplus which is in part the result of your own price-support system. This does not seem to us to be fair trading practice and it obviously aggravates our problem.

Few Canadians would suggest that you do away with a farm price-support program. We have one ourselves, though at a much lower and realistic level of prices. But many Canadians would hope that you could adjust your policies so as not to create serious difficulties for ourselves and others. It seems very doubtful whether frantic efforts to dispose of wheat will be in any country's interests. In a world where population is growing rapidly and where industrialization is pro-

ceeding apace, there should be little doubt about the ultimate disposal of the wheat surplus. Certainly there is a difficult storage problem. It seems highly questionable, however, whether a policy of disposing of wheat at any price would greatly enlarge the market. Indeed, it is probable that a major competitive struggle to dispose of wheat would, as it did in the '30s, evoke special protective measures on the part of many European countries which are also concerned about the welfare of their farmers.

Need for U. S. Trade Leadership

I believe it should be recognized that the economic policies of the United States have an enormous effect throughout the world and that the United States in the last few years has ceased to take the lead in promoting freer trade and exchange. It is true that the bark of American protection has been much worse than its bite. It is also true that the United States is still providing large amounts of economic assistance to a number of countries which need it and that this aid is doing much to sustain world trade. But your country is no longer giving the lead toward a multilateral and freer trading world and there is a good deal of evidence that you have been moving to some extent in the other direction.

Obviously, your economic policies are you own business. At the same time, their effects on the rest of the world are so great that other countries are not only deeply concerned but much influenced by your actions. If you put your great weight on the side of freeing trade and exchange, there is strong likelihood that the free world will follow. But if you do not, other countries which are much weaker economically are likely to be influenced by their own restrictive pressures and there is a very real danger that the world will again move in the direction of restriction.

You may wonder why I close my remarks on this somewhat discordant note when I could quite properly and honestly conclude with some glowing phrases about the great future of Canada. I do so because from a Canadian point of view one of the largest question marks in the economic outlook is the kind of trading world in which we shall be doing business. Canada will grow in any case, but her growth will be much healthier and better balanced and she will be a better customer of the United States if the trend is toward more liberal trading practices and freer exchange.

Two Join Merrill Lynch

(Special to The Financial Chronicle)

BOSTON, Mass. — Edward N. McMillan and Bruce M. Stott are now with Merrill Lynch, Pierce, Fenner & Beane, 18 Milk Street.

Joins Morton Staff

(Special to The Financial Chronicle)

BOSTON, Mass.—Joseph Cabitt and Paul Tavilla have joined the staff of B. C. Morton & Co., 131 State Street. Mr. Cabitt was previously with Investors Planning Corporation of New England, Inc. Mr. Tavilla was with Keller Brothers Securities Co.

With Palmer Pollacchi

(Special to The Financial Chronicle)

BOSTON, Mass. — George A. Cataldo and Francis X. McDonough have become affiliated with Palmer, Pollacchi & Co., 84 State Street.

With Hayden Stone

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Irwin M. Chase is with Hayden, Stone & Co., 1387 Main Street.

Continued from page 7

Mortgage Credit and Economic Stability

gage brokers, or builders—to impede fundamental progress in the direction of stable growth. Otherwise, if we allow our interests of the moment to overrule our best judgment for the long pull, we may—as frequently expressed —"win a battle, but lose the war."

Needed—A Flexible Mortgage Market

Too many of us have been prone to run to Washington for aid when the workings of a flexible market have not been to our immediate satisfaction. It required several years of hard work to recondition our market mechanism to the concept that a sound monetary system requires flexibility in credit, and that such flexibilty could not be achieved as long as the Federal Reserve System supported Treasury obligations at prices that encouraged inflationary credit expansion. The wisdom of such flexibility cannot be denied, when prejudices and bias are cast out of one's thinking.

Therefore, if flexible actions in the interests of stability have the effect at times of pinching our toes a little, we must not search out means of evading them. Mortgage credit is a good case in point. When a policy of credit restraint allows the general level of interest rates to rise and forces mortgage credit to compete more directly in the capital market with other forms of investment for the available supply of funds, then, I submit, it is incumbent on us who operate in the mortgage field not to seek to destroy the effectiveness of flexible policy. This means, for example, that we should not ask government to guarantee a fixed secondary mortgage market that we might tap at our convenience with a view toward avoiding the impact of changing rates and availability of credit in a market otherwise conditioned by forces of supply and demand. Even when interest rates themselves are fixed, as they are in the case of VA and FHA mortgages, a flexible market permits the yields to vary in accordance with supply and demand for funds as long as the price of the mortgage itself is not held rigid.

In addition to accepting and giving intelligent support to this fundamental principle of flexibility, those of us operating in the field of mortgage credit have an equally important responsibility for preserving the soundness of credit along the lines set forth in the recent Convention resolution of the American Bankers Association quoted a few moments ago. It is my fervent hope that the words of this resolution will find no deaf ears in the fraternity of American banks. The legislative framework of banking provides many safeguards, but history has taught us that constructive management principles and policies cannot always be legislated. It requires courage and understanding to pursue a course that may be resourceful and forward-looking, but nevertheless sound and constructive for lender and borrower alike.

It is hoped that in the months and years to come, banks will discharge, in the best manner they know how, the responsibility for counseling their customers in the use of mortgage credit. Quality of loans is not solely a consideration determined by the portfolio policy of banks. It is a measure of the protection that the borrowers are providing for themselves in maintaining their finances and credit on a sound and sensible basis. Again, it is a manifestation of the principle that credit should be the servant — and not the master — of the borrower's finances.

Protecting the Home-Buyer Against Mortgage Excess

It is to be hoped, furthermore, that all of us who are engaged in this highly competitive market for mortgage credit, and not just the banks, will not dismiss lightly the obligation we have for protecting the home-buyer who seeks our aid in using our credit resources. In the long run, it is to the mutual advantage of both lender and borrower that this be done. We must not forget that the individual who has purchased a home on mortgage must service that mortgage through his own abilities and progress. He is not a statistic. It cannot be assumed that he, as an individual, can afford a certain level of debt just because the economic concept has become popularized that over-all mortgage debt appears to bear a reasonable relationship to our total national income. We must give full attention to the genuine needs and potentialities of the one seeking mortgage credit, and not be blinded by the thought of "sale at any price." I should add, furthermore, that this principle holds equally true for instalment credit, as evidenced by the resolution of the American Bankers Association quoted a few minutes ago.

Admittedly, under a government policy highly geared to the encouragement of housing expansion the promulgation of quality standards based on individual needs is difficult to accomplish in a market as intensely competitive and as broadly dispersed as the housing market. Even if our banks were 100% effective in a drive for sound and constructive standards of quality, there would still be a substantial area outside their direct influence. Moreover, this area has been growing over the years. At the end of 1954, banks held only 29% of the debt on multi-family residential and commercial properties. In the past decade, furthermore, two-thirds of the expansion of total mortgage debt has taken place outside the banking system.

Another important development that deserves our attention is that the financial structure of our economy is changing. Gone are the days when individuals were the dominant element in the mortgage market. In the peak of the housing boom in 1925, they held fully 40% of home mortgage debt; today they hold less than 15%. Savings more recently have been channeled to a greater extent into institutional investment organizations, against which the savers have either direct or indirect liability claims. The corollary to this development is that mortgage credit is similarly being channeled through these institutions to a larger degree than ever before. This being the case, the quality of credit has assumed even greater meaning than it may have had when the contractual relationship was more frequently that of borrower and individual investor. This should serve as a reminder, therefore, to those who are assembling mortgages on behalf of increasingly important investment institutions that strong business ties which will endure over the years cannot be built on a foundation of weak practices, not the least of which are unsound terms of credit.

Must Avoid Over-Optimistic Appraisals of the Future

Thus, we must exercise moderation; but at the same time, we must act constructively and with alertness. Our primary task is that of distinguishing between the legitimate needs for housing and those projects that are based on highly speculative and overly optimistic appraisals of the future. We must be alert to distinguish between those geographic areas where the saturation point has already been reached and the many other areas where opportunities for sound and justifiable home construction projects still exist. I can assure you that the nation's banks stand ready to provide the funds necessary for interim financing on such projects, and that they, together with insurance companies and other financial institutions, will efficiently mobilize the savings of the economy to provide the permanent financing. All of us must exercise the sound and prudent type of financial judgment that the public has every right to expect of specialists in the field of mortgage credit.

Turning for a moment to a longer-range aspect of mortgage credit, it is significant to note that a number of informed observers feel that the primary problem faced by the home-building industry may be a shortage of mortgage funds over the long run. This shortage is expected to result not from lack of savings, but because more of our savings are flowing into the hands of investors who have not as yet looked upon mortgages as suitable investments for their purposes. Pension funds are an illustration. The rapid growth of these funds should be a source of great satisfaction to all of us. They contribute to stability in the economy by providing income for our people in their years of retirement, and they represent an important source of funds that can be utilized not only by business for capital expansion but also to a growing degree for the mortgage credit behind the better housing our people have so much desired. The impact of these pension funds on the economy is emphasized by the fact that the present total is $12 billion, and they are growing at a rate of about $1,800 million per year. One authority has estimated that the annual growth by 1960 will approximate $6 billion.

Pension funds are big business, and there is no reason why high grade real estate mortgages should not be acceptable investments for them. The fact is, however, that the managers of the funds have shied away from real estate mortgages in favor of corporate and government bonds and equities. Various reasons have been given for this lack of interest in mortgages, but two of them appear to me to be most important.

First there is the fundamental question of yield, which again emphasizes the importance of flexibility in credit. It is incumbent upon pension fund investment managers to seek the maximum return consistent with the safety and objectives of their funds. The simple facts are that in a highly diversified capital market, investment money will flow to the point of greatest attraction—all factors being taken into account. The workings of a flexible market permit the necessary adjustments to take place; and if changes in mortgage rates at times become necessary in order to enable them to compete more vigorously in the market with other credit demands, the desirability of such changes should be recognized. The issuance of 3% bonds earlier in the year by the Treasury illustrates this principle. These bonds have found their way into pension funds, but only because they were sold on a basis that was attractive relative to other investments. When the picture is viewed in this light, the fear that there will be a long-run shortage of funds for mortgage credit can quickly be dismissed; and it can be expected that pension funds will be tapped for mortgage investment.

Mortgages and Pension Fund Investment

I do believe that there is room, however, for further constructive work in the adaptation of mortgages to pension fund investment, since the second most important reason for a lack of interest appears to be the desire of pension fund managers to avoid the detailed servicing work and responsibility that accompanies large-scale investment in mortgages.

This problem deserves the attention of the various groups interested in mortgage credit. Some bankers have given thought to means by which mortgage credit can be efficiently channeled into pension funds. Many banks are particularly suited to this work, because they can follow construction projects from initial stages through to completion, and they can maintain close contact with mortgage borrowers. Perhaps the most acceptable solution to some of the pension funds, many of which in themselves are administered by banks as trustees, is for the work to be done within the framework of banking channels. Nevertheless, I believe that other groups in the mortgage credit market can and should give careful study to this problem of facilitating the flow of a reasonable portion of the savings of pension funds into mortgages. There is a real opportunity for mortgage bankers for constructive work along these lines.

I should like to emphasize again that the future holds great promise for all of us in the field of mortgage credit if we act wisely and prudently. Let those who have not yet learned to live with the flexible policy of the past few years place their confidence in the fact that there will always be enough credit available for sound economic growth. The desire of our people for better standards of housing can be satisfied, not by the application of misdirected credit under a boom-and-bust-philosophy, but by the contribution they make through their collective savings to the creation of those standards.

A vigorous and productive economy, under which savings are encouraged and incentives are rewarded, can leave no shortages for opportunity in the field of housing over the years to come. The growth of population, the development of new regions, the replacement of blighted areas, and the upgrading of housing standards, all hold promise for a vigorous home construction industry and an increasing volume of business in mortgage credit.

We are fortunate to be living in this golden age. The past has been glorious and rewarding; the present is dynamic and stimulating; and the future holds unprecedented promise for those who are prepared by disposition, integrity, and ability to accept the challenge of the times and to meet their responsibilities to their fellowmen. I have an abiding faith that we shall measure up to our responsibilities, and that we shall make a great contribution to the welfare of our people and to our nation.

With Hayden, Stone

(Special to The Financial Chronicle)

BOSTON, Mass. — David B. Stone has become affiliated with Hayden, Stone & Co., 10 Post Office Square.

Purchasing Agents Foresee Good Business Extending Into 1956

Business Survey Committee of the National Association of Purchasing Agents reports concensus of purchasing agents is that production in October was as high, or even higher, than previous month; that good business will prevail well into 1956.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey committee, whose Acting Chairman is Marshall Pease, Assistant Manager of Purchases, The Detroit Edison Company, Detroit, Mich., is that purchasing executives found conditions in October that indicate good business will prevail well into 1956. With 95% of the Business Survey Committee members reporting production as high as, or higher than, September and 93% showing their new order position to be the same or better, the fourth quarter may be the best of 1955. Forward planning involving substantial capital investments is also indicative of confidence in the long-term potential of the over-all economy.

While the number reporting higher commodity prices still exceeds the number who say prices are the same or lower, there is a definite indication of more price stability. Inventories, while substantial, are not of the distress type that would reflect diminishing sales. Employment is at its highest point since mid-1950. Buying policy remains essentially unchanged, although many items difficult to obtain are causing purchasing people to lengthen lead time on those materials, to assure delivery.

The increases in costs occasioned by recent wage negotiations are being passed on to the buyer in total, or substantial part, say 97% of the Committee members who answered that special question. Only 3% reported that suppliers are finding it possible, by use of more efficient methods, to absorb their higher costs.

Commodity Prices: There is evidence now that the price spiral is leveling. Although 72% reported prices up this month, the individual items each reported up are noticeably fewer. Some comment that they believe prices have reached their high point and 4% feel that prices are down. There were several reports of lower copper prices and rubber, cotton and burlap were also reported lower in price by some.

Inventories: The inventory situation on purchased materials show a slightly different picture from September. Only 18% report inventories lower, a reflection of defense requirements' being reduced. The 23% that report higher inventories attribute this to protection against raw material shortages, forward buying of scarce items and an acceleration to match increased sales and production. The 59% reporting inventories the same as a month ago indicate adjustments are being made to balance raw material stocks with stocks of finished goods.

Employment: There were 69% of the Committee members who reported October employment the same as September. Their comments indicated needs to be high, workers scarce, with a great shortage of trained engineers as well as of skilled workmen. The negligible 3% reporting employment lower in October than September, attribute their situation to conversions and railroad car shortages.

Buying Policy: The buying policy on materials for production purposes changed little in October from September, with 46% indicating coverage in the 90-day and over range. For capital goods, 77% are in this category, while, for MRO supplies and materials, 80% keep purchases on a hand-to-mouth to 60-day basis. Only 20% are interested in purchasing with a lead time in excess of 60 days on MRO.

The consensus shows that any inclination to resist inflationary price trends in some scarce items is tempered by the realism of having to purchase for highly expanded business needs.

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Why Does the United Nations Fail to Win Public Confidence?

ian Soviet Socialist Republic; Union of Soviet Socialist Republics; United Kingdom of Great Britain and Northern Ireland; Yugoslavia; Iceland.

North America (3 in all)
Canada; Mexico; United States.

South America, Central America and Three Island Republics (19 in all)
Argentina; Bolivia; Brazil; Chile; Colombia; Costa Rica; Ecuador; El Salvador; Guatemala; Honduras; Nicaragua; Panama; Paraguay; Peru: Uruguay; Venezuela; Cuba; Dominican Republic; Haiti.

Four Additional Island Republics
Australia; Indonesia; New Zealand; Philippines.

The sum total of the United Nations is 60.

The Security Council itself is composed of 11 individuals, who represent the following countries: China, France, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States. These five countries hold **permanent seats** in the Council. Then the following countries are holding seats during this year 1955, and in some cases later, according to the term for which elected, namely: Belgium, Brazil, Iran, New Zealand, Peru, Turkey.

An Analysis of Three Groups,—Asia, Africa, South America, Which Compose Almost One-Half of the Whole

In these groups the Union of South Africa is the only name in which we Americans feel any confidence. Look at the others. Do you trust them? To us they mean little but weakness, irresponsibility, revolution, insolvency. They have a deep-rooted distrust of us. The Union of South Africa rises superior to the rest because it is composed in large part of English and Dutch stock.

Truly, this outlook upon our Asian, African and South American associates is not inspiring.

What As to Europe?

Now look at the states of Europe. How many of them have so conducted their affairs as to win our moderate confidence? Is the number impressive? We think first of Great Britain, Belgium, Netherlands, Norway, Sweden, Denmark, Luxemburg. We hesitate to add France. Do you wonder why?

France the Uncertain

Her government knows its own mind for not more than a few months at a time. A ministry that can hold the confidence of the legislative chamber long enough to enact important legislation is refreshing. The groups that form French political parties bewilder us. Her currency is depreciated. Her colonies are going or gone. Do we place much trust in France, save what is absolutely necessary because of her prominent geographical place on the map of Europe?

Probably most of us have a much better feeling toward the others that we have named. Take Great Britain, for example. She is indeed closer to us in race, understanding and sympathy than any others. But she is wise enough always to look out first for her own interests; and in this she is right. Indeed, her general reputation in bargaining is that she is graspingly sagacious. Washington, writing to Henry Laurens in November, 1778, said:

"It is a maxim, founded on the universal experience of mankind, that no nation is to be trusted farther than it is bound by its interest; and no prudent statesman or politician will venture to depart from it." — Writings of American Statesmen (Washington), p. 127.

The soundness of this advice is glaringly evident today. England is ready to give Red China a position in matters of trade, while our own government has been like adamant in its objection. Other European states seem to take much the same position as does England.

But would any member of the European list of nations allow its armed forces to be used by the Security Council in order to settle some quarrel between other states in which that particular nation had little or no interest whatever? Sir William Vernon Harcourt, the prominent Victorian Statesman, writing to Lord Hartington in 1878, said:

"No Treaty of Guarantee has ever compelled a nation to go to war against its will or against the judgment of the people as to its expediency and necessity — nor ever will."—Life of Sir William V. Harcourt, Vol. 1, p. 330.

And this would be doubly true if popular opinion in the country thus called upon to furnish a quota of its army or navy, was strenuously opposed to the wisdom and judgment of the Council concerning the merits or justice of the controversy in question. Witness the refusal of Massachusetts to give aid to the administration of President Polk in the Mexican War, because that war was viewed as a slaveholders' war. What Congress in Washington would vote today to furnish American troops in the strife between France and her African provinces? Would any of us think that the lives of our soldier boys should thus be hazarded? Korea has given us a wholesome taste of such folly.

Let us look facts plainly in the face. The plans and theory of the United Nations are false and unworkable, such "stuff as dreams are made on."

Another European Group of Countries That We Would Avoid

What about other European lands?—Byloe Russia, Czechoslovakia, Greece, Poland, Ukrainian Soviet Socialist Republic, Yugoslavia,—last but by no means least Russia herself. Comment is superfluous. We distrust Russia and her satellites with her—Czechoslovakia, Poland, Ukrainian Republic, Yugoslavia, even though one or more of them may like to make some show of independence.

Greece is close to a "chronic invalid," strangely left on our own doorstep. It is hard to think of her as a "going concern."

The "Religious" Support Given to the United Nations

Such support as the United Nations receive here at home arises in very large part from a sentimental, almost a "mushy" supposedly "religious" view of the matter. Many persons have a feeling that "unity," "oneness," "entirety" are deeply religious objects, to be attained at all costs, and that they carry with them freedom, peace and progress. Those who think in this fashion surround the United Nations with a halo which that very commonplace organization in no way deserves.

Unions and Mergers Are Often Most Disappointing

At this present time there is a strong, but often thoughtless, movement in favor of unions in both church and state. They work well only where the parts that are united have much in common; otherwise there is trouble and disappointment.

What intense satisfaction the Ireland of today derives from her absolute severance from England! So, too, does India; so does Egypt. Perhaps Cyprus should be mentioned also. But there are others, which never had connection with England. Witness Belgium and Holland, who once tried union for a short time, and found it a failure: Norway and Sweden: Servia and the Austrian Empire. These all proved to be ill-matched pairs.

In the New World, the five small states of Central America long ago broke away from their short-lived union. In South America, Simon Bolivar, the emancipator, in spite of his great influence, could not persuade the states where he had labored, to form a union of strength and peace. The two negro republics of Haiti and San Domingo are unwilling to unite and have their island under one government. They like their independence.

These examples are too forcible to be ignored.

The Fallacy of "One World"

Enough of dreams and speculations; human nature is so diverse, and men's actions spring from such complex and widely-varying motives, that no committee, congress, convention or combination can ever be arranged or provided, so that it could or should undertake a government of the whole world. In a statement by George Kennan called the "Credo of a Civil Servant," he says:

"Every one of us is different. Every one has his own peculiar talents and capabilities. For every one of us there were things we were meant to do, and *things we would be well advised not to try to do*."—Princeton Alumni Weekly (Feb. 12, 1954), Vol. 54, p. 13. (The italics are ours.)

This passion for uniformity has persuaded the only great, successful and happy Republic of the Western World to assume a position for which it is totally unsuited. We have been deluded into thinking we may safely ignore the huge diversity of characteristics, talents and prejudices and superstitions, as well as the religious and the skeptical beliefs and disbeliefs that are always found to exist in any large aggregation of individuals. Costly and unreasonable as many of these may be, others are of immense value, and constitute the very soul and reason for existence of those who hold them. This clash of aims and diversity of purposes are the grounds of healthy opposition; they are the very heart of freedom and progress.

In trying to abandon our old-time methods of procedure, when we "minded our own business," we have been led into the adoption of Old World methods which sit awkwardly upon us New World westerners. We have come to the point where we reconcile ourselves into believing that fleets and armies and huge national debts, and drafts and regimentation and militarism (things well enough known in the Old World), may be all right in our own land. They are utterly foreign to our ideals. If we must have them, let it be in as "short measure" as possible, and for a brief period only. We may well take a lesson from the shepherd boy David when about to fight with the Giant Goliath of Gath. He refused to try to wear King Saul's armor, because he was not familiar with it, preferring to chose "five smooth stones out of the brook," and put them in his shepherd's sling, a weapon which he thoroughly understood. His victory over the Giant has been read with satisfaction by untold millions since his day.

We are endangering our own best things—intellect, resourcefulness, the American quality of "know-how," things which constitute the spiritual and personal element in a nation. We are singularly out of place in sitting as "one of the mighty" that would govern the world by a vote of 11 individuals in Council. We are alarmingly close to selling "our own soul" in exchange for the world. We should withdraw from the United Nations at once and forever.

Humphrey Appointed By Calvin Bullock

Joseph H. Humphrey has been appointed Director of Research for Calvin Bullock, Ltd., international investment management firm, according to an announcement by Hugh Bullock, President.

J. H. Humphrey, Jr.

Mr. Humphrey, who has been Deputy Director of Research and Portfolio Administrator for several years, joined Calvin Bullock in 1936 and has continued with the firm since that time except for a period as senior financial analyst for the Reorganization Division of the Securities and Exchange Commission. He is co-author of "Investment Analysis & Management," which is used in many colleges and universities as an economics textbook.

Calvin Bullock, Ltd., which administers investment assets of over $500,000,000, is sponsor and manager of Dividend Shares, Inc., Nation-Wide Securities Company, Inc., Bullock Fund, Ltd., Canadian Fund, Inc., (U. S.), and Canadian Investment Fund, Ltd., (Canadian), open-end investment companies; and of Carriers & General Corporation, a closed-end investment company which is listed on the New York Stock Exchange.

Frank Bateman Adds

(Special to The Financial Chronicle)

PALM BEACH, Fla. — Ira C. Ayres has been added to the staff of Frank B. Bateman, 243 South County Road.

White Co. Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Donald E. Green has become associated with White & Company, Mississippi Valley Building, members of the Midwest Stock Exchange. Mr. Green was formerly with the First National Bank in St. Louis.

Continued from first page

Background Facts for The "Look Ahead"

determine where you have been and so difficult to know where you are going.

I will give you no statistics. For the past there are more than I can master; and for the future there are none that can be counted on. In place of dry figures, let me simply lay down a few background facts as the basis for our look ahead.

I have a strong feeling that we have learned a lot over the last half-century—a 50 years of war, boom and bust — a 50 years of struggle over ideas and philosophies in politics, in economics, in social welfare, and even in the relationship of one individual or group to another in our society. These struggles have not ended, but many differences have narrowed and there is hope that we can narrow them still further.

A Reconciliation of Stability and Growth

In our economy, for example, we have reconciled the idea of stability with the idea of growth. And for the greater part of a decade we have been achieving what not so long ago was called impossible — the combination of maintained peace and maintained prosperity. In the field of social welfare, we're achieving real progress, not by any so-called "share the wealth" program, but by enabling all to earn more by producing more. And in our relations with other nations, we seem to be finding a way to live —if not comfortably at least confidently — with our responsibilities of leadership in the free world.

These solid achievements — in economics, in social welfare, and in world affairs—form a sound base on which to build from here on. True, we've had some failures along with the achievements. The lessons, both of our accomplishments and of our failures, can be helpful as we form our view and set our course for the future.

What, then, are the limits bounding that future? How much can we enlarge the dimensions of our prosperity? How far and how fast dare we grow?

The limits, I think, will be set principally by our mistakes—the ones yet to be made rather than our past ones, and maybe most particularly the mistakes we make in the near future, the next year or so.

We cannot forbid mistakes. But we must try to avoid them and prevent them by rendering them unattractive and even unlikely. And I believe the best way to do this is to look ahead and survey the errors most likely to be made in the circumstances most likely to be faced.

One that comes immediately to mind is the danger that we may confuse inflation — the mere pumping up of money and credit — with actual growth — the increased production of goods and services.

The two phenomena are not mutually exclusive. Right now we have some of both in our economy. Much more of growth, happily, than of inflation. But we must not succumb to the temptation to force growth along—or to satisfy some special group — by applying a dose of inflation here and there. Such doses, for instance, as increased government spending, or tax cuts without a balanced budget, or wage increases without greater productivity, or prolonged and expanded government subsidies. In the present context any of these would be a mistake. I hope they do not happen.

I hope, too, that we do not see a resumption of spiraling prices—depreciating the dollar and causing distortions which would retard trade and work cruel hardship on many groups of people. For more than two years price movements have been generally moderate and the integrity of the dollar has been maintained. True, we have not rolled back to any extent the considerable postwar price inflation that had already taken place. On the whole it was wise not to attempt any such broad roll-back. An aggressive deflation, once under way, might have proved impossible to control; and in that case the hardship worked upon millions would have been unbearable.

This may be a good time to remark, by the way, that businessmen and labor leaders both, especially when they are sitting at the bargaining table, hold in the wage-price structure a potent inflationary weapon. I hope they know that it's loaded.

Threat of Speculation Excesses

Also high among the mistakes we must guard against are the whole range of speculative excesses. I include in this category excessive speculation in the stock market, in inventories, in real estate, in buying and merging businesses.

The dangers inherent in a speculative whirl are difficult to overestimate. I do not ignore the useful role which reasonable speculation plays in providing continuity of market in our complex economy. It is a legitimate undertaking. But excessive speculation—the non-productive passing back and forth of assets at successively higher prices — diverts money and credit from the channels where they might be employed to produce real wealth. Thus it undermines the true basis of our economy while erecting a flimsy superstructure of inflated prices.

The pattern is a classic one. Here and there traces of that pattern seem to be appearing. They probably haven't reached the point of immediate danger. Historically, however, a plateau of genuine prosperity such as we are now enjoying has shown itself a likely launching ground for a speculative boom, with the unvarying consequence of collapse. And the greater the excesses, the more disastrous the collapse.

Nor can we safely overlook the present proportions of our debt structure, private and public. Total private debt has increased vastly in the past ten years. Our economic expansion has well warranted a growth of credit. The crucial question is whether credit has expanded beyond economic growth—for example, in the relatively new areas of mortgage and installment financing.

I cannot say that debt is too high—I don't think the line can be drawn that easily. But I do say that it has reached a level which not only suggests but requires caution. The question is not only one of the soundness of the loans; there is, particularly in the mortgage and consumer credit fields, the question of the economic effects, or pre-pledging so much of tomorrow's purchasing power to pay for today's production. These considerations need more study, cautious study.

I don't want to sound like an alarmist over debt. I think we must be prepared to see privately owed debt go even somewhat higher as we have further expansion of the economy. But I also think we must watch very closely the rate at which debt grows, especially from here on. That rate must not outrun increases in productivity and income. Increased borrowing must be matched by increased ability to repay. Otherwise we aren't expanding the economy, we're merely puffing it up.

Too much debt brings on liquidation, which doesn't stop when excesses have been wiped out but cuts deeper and even down into the vital marrow of the economy.

I don't like to leave the subject of credit and debt without saying a word about the public debt and the whole domain of fiscal and monetary management. When I say, with full confession of the advantage of hindsight, that some things in this domain could have been done better, I am sure the men in charge will be among the first to agree.

In the fiscal area, the budget could by now have been balanced. Encouragingly, it appears that, on a cash basis, balance will be achieved for the current fiscal year. And—I must mention this although it is not often spoken of any more—once we have penetrated the "balance barrier," we must tackle the long, hard job of whittling down the national debt. It is, let us not forget, debt; and therefore must be paid back. If we can't make some real progress in that direction during times of record-breaking prosperity—and we have been breaking records—when can we?

In the area of credit policy, the performance of recent years is certainly not subject to major criticism. Restraints could have been applied earlier and relaxed sooner in the period of late 1952 and early 1953. Again, they could have been applied more firmly and persistently during the spring and summer of this year. But these comments, as I have said, are made with the full advantage of hindsight. The task assigned the Federal Reserve System is one of infinite delicacy. A flexible system of money and credit is by the same token a sensitive one. It's easy to stretch it too far—or squeeze it too tight. The job done in the last few years has been on the whole an excellent one.

So much for the monetary and credit policy of the recent past. What about the present—and the future?

The Money Situation

Money has been tight. The Federal Reserve's reasons for making it so have been thoroughly explained and are well understood. But there are some who feel that the restraint policy hasn't worked, that it hasn't curbed the boom. People who hold this view are inclined to say this is the time to give the economy the shock treatment—a real hike in the rediscount rate, a real squeeze on credit. Bring on some liquidation, they urge; let's shake things out.

Don't do it, I say. You may make credit dear, but never make it unavailable. There is a difference between tight money and no money. And for the moment money is dear enough and tight enough. If I were writing the rule or coining the slogan for monetary policy, I would say "EASY DOES IT." Little steps, often taken, will get us there sooner and more safely than giant ones.

Experience has taught that it takes a while—usually six months or so—for changes in monetary policy to exert their full impact. So let's not be impatient for drastic results. Actually, there have been signs recently of a slight easing in the money situation. One hears reports that loan demand isn't pressing quite so hard on the supply of funds. This is not the time for an all-out application of restraint. Certainly not, and maybe we should be thinking in terms of somewhat less restraint. We should wait a bit and see.

However, I definitely do not agree with those who say the signals are on for an all-out dose of ease in the coming year simply because a Presidential election is in the offing. There seems to be a theory that the politicians will insist on putting some bubbles on the boom in an election year. I don't believe it. The boom is riding high enough even for the politicians. Their concern, I believe, will be and should be to keep it sound and strong, capable of further growth, not to kill it off—maybe even before election —by forcing an artificial spurt.

Lately we have been hearing a great deal about the importance of confidence. I don't mean the kind of confidence little Johnny had when his teacher came up to him in art class and asked what he was doing. Johnny replied: "I'm drawing a picture of God."

"But no one knows what God looks like," protested the teacher.

"Don't worry," said Johnny. "They will when I get through."

The best way to preserve confidence, I submit, is to prevent it from turning into overconfidence. Confidence is based on the belief that we can make things go right; overconfidence deludes itself into believing that nothing can possibly go wrong. Confidence can sustain and moderate the occasional dips and halts that inevitably will interrupt our upward march; overconfidence will collapse at the first unfavorable turn.

Grounds for Genuine Confidence

We have ample grounds for genuine confidence. Our economy not only produces dynamically; it consumes dynamically. When our so-called pent-up demand was filled, it was replaced by new demand growing out of our people's insatiable appetite for better living and technology's inexhaustible capacity to provide it. These are powerful factors at work in our favor. But we must assess them realistically. When I hear about the so-called "built-in stabilizers" in our economy I get the chilly feeling that some of us may be dangerously close to overconfidence.

I get that feeling even more pronouncedly when I hear people proclaim that all our problems are solved because the population is growing. Our rapidly increasing population is certainly a reassuring factor and a great asset, but only if it is accompanied by increased production, made possible by increased capital and greater efficiency. Growth in numbers is not something new for this country. In 1929 we knew our population would be bigger in 1933, and in 1933 we knew it would be bigger in 1955. Numerical increase alone is not enough. If it were, countries like China and India would present a different picture from the one they do.

So we can't think in terms of men alone, any more than we can of machines alone, or money alone. It takes all three. We need a growing population—men; we need a developing technology—machines; we need thrift and savings to provide the capital so that the machines may serve the men.

A discussion of this sort at this time must include reference to President Eisenhower's illness. One's personal sadness about it keeps the subject never far from mind; in addition, it is a development which affects all thinking and looking ahead on economic and financial matters. The political climate in which our economy is to work is a point of high significance for all of us whatever our party labels and philosophies may be.

Prospects of a Favorable Political Climate

I believe most people had thought we could look forward with considerable certainty to five more years of the political climate we are now in—a climate which in weather terms might be called "moderate and clear." Now, suddenly, that sense of forward continuity is not quite the same. A new element has been introduced: not a certainty that things are going to change, simply a lessening of the feeling that we know where we stand.

Whatever the political rules and attitudes may be, business most likes and needs to know what those rules and attitudes are. The President's illness creates a feeling of uncertainty in this significant area. This probably will lead to some hesitation in business thinking and planning. I do not mean that progress will stop or that business and bankers will turn and run. I mean only that uncertainty about the forward political atmosphere tempers forward confidence where business planning is concerned.

In a sense this uncertainty overlooks one of President Eisenhower's important achievements —the great change in public temper which has already taken place under his leadership. He and his Administration have given business a chance to show what it can do, and have let the people compare that performance with the dire predictions of a generation of business-baiters. The people like what they have seen. They like the climate that is letting business work, build, provide good jobs and pay good wages. Words like "capital," "incentive," and even "profit" have just about regained their respectability.

With this said, I would like to conclude in a few simple words. The opportunities ahead of us are very great. We must realize them, and not muff them. The textbook of experience and common sense tells us the pitfalls we must avoid. We're dealing with the most promising future any nation at any time has ever contemplated, a future measured not in terms of machines and money for their own sake but in achievement of the finer ultimate of more and more of the good things of life for more and more people. The future will be what we make it.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Allen L. Newton has joined the staff of E. F. Hutton & Company, 111 West Tenth Street.

Marshall Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Mrs. Mabel Osland has become affiliated with Marshall Company, 39 North La Salle Street.

Joins Nongard & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Donald A. W. Bangs has joined the staff of Nongard & Company, Inc., 105 West Adams Street.

With Stone & Webster

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James S. Hinman is now affiliated with Stone & Webster Securities Corporation, 33 South Clark Street.

Joins R. G. Lewis Co.

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—Erwin Smith has become associated with Robert G. Lewis & Co., Rockford Trust Building, members of the Midwest Stock Exchange. He has recently been with Waddell & Reed. Prior thereto he was with King & Company and Conrads & Company.

With Real Property Inv.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Floyd R. Downham is now with Real Property Investments, Inc., 233 South Beverly Drive.

Railroad Securities

By GERALD D. McKEEVER

Chicago Great Western

For years following the reorganization of the Chicago Great Western the progress achieved by the road has been primarily along the lines of improving efficiency which has resulted in making it one of the lowest cost operations in the railroad field. Having thus set the stage for bigger business, aggressive steps have been taken in the past two years particularly to build up the road's traffic and revenues on the side where it is most needed, namely originated traffic. The Great Western has been living mostly on traffic received from connections, only around 40% of its total traffic volume being originated. This kind of situation places any road more than ever at the mercy of keen competition, and despite yeoman service on the part of the Traffic Department of the Great Western, its revenues have not kept apace.

But even with this handicap, the 1955 net income of the Great Western is expected to show another increase for the fourth consecutive year and in spite of the burden to this year's earnings of a $510,000 charge-off of the tax credit taken into 1954 income but rescinded retroactively under the subsequently enacted amendments to the Internal Revenue Code. It is understood that the road is accruing the additional tax charge monthly to eliminate the entire amount by the end of the year, which amounts to about $1.40 per share of Great Western common. It is nevertheless estimated that Great Western may show $6.75 per common share this year—a management source places it close to $7—as against $6.07 reported for 1954. These figures are "before funds" prescribed under the terms of the 1941 reorganization and which amount to about $2.60 per common share. The balance is available for dividends and general corporate purposes.

Even more striking is the fact that although revenues will show no increase over the 1951 figure on the basis of the 1955 estimate, estimated net operating income for this year is placed at $1,300,000 more than for 1951, and net income at $1,200,000 more, the difference being due to an increase in interest charges in this period. It should be mentioned at this point that this showing is not being made by way of the now rather common practice of reducing maintenance charges unduly. The maintenance rate of the Great Western has been 30.4% of gross for the 12 months through August this year and 30.3% of gross for the 12 months 1955. The corresponding rate for 1951 was 32.5%.

Making due allowance for the benefit to net income from the tax deferred due to accelerated amortization—placed by the road at $649,000 or $1.80 per common share for this year (but dropping to $381,700 for 1956)—the on-balance gain in net operating income and in net income is due mostly to wide gains in operating efficiency. The Great Western, which had been dieselizing progressively for years, completed this program in 1950. Largely as a result of this, gross ton miles moved per freight train hour, the measure of over-all operating efficiency, showed the further increase from 64,288 in 1950 to 73,258 in 1954, a gain of 14%. Far more striking, of course, is the 114% gain in this measure over the 1946 figure of 34,021. In this same 1946-54 postwar period the corresponding measure for all Class I roads increased about 46%.

Contributing to this has not been only the dieselization of the road, but also the extensive relaying of main line with 115-pound rail to accommodate the fast movement of heavier trainloads that dieselization has made possible, while another element in the train speed factor has been yard modernization. This has been particularly true at Oelwein, Ia., where the lines of the road converge from four directions—east and west from Chicago to Council Bluffs (Omaha) and north-south from the Twin Cities to Kansas City. This conformation is the basis for the road's slogan "The Crossroads for Railway Shipping in the Great United States."

The road's outstanding operating efficiency gives it the advantage of a low Transportation (cost) Ratio and one of the lowest wage ratios—36.2% in 1954—among Class I roads. The latter is a particularly noteworthy point now in view of the round of additional wage increases currently in progress. It is also notable that despite the previous wage increases since 1949, the wage ratio of the Great Western declined each year of the 1949-53 period; there was a minor increase—from 35.4% to 36.2% for 1953-54.

What piques the imagination is that the Great Western appears to be on the threshold of compounding its gains from sheer increase in efficiency with gains from newly developed sources of originated traffic. Sources developed in 1954 alone included 49 new permanent industries, 14 temporary ones, and the expansion of 22 existing plants. The present year's biggest single gain was the placing into operation on Oct. 5 of the $25,000,000 refinery of the Great Northern Oil Co. which is expected to produce 200 carloads per day. This plant is located in the Roseport industrial district, about 14 miles from St. Paul, which has been developed and promoted by the Great Western, and is served exclusively by it. In the same district, construction over a month ago on the $15,000,000 plant of the St. Paul Ammonia Products, Inc. Furthermore, one industry tends to attract another to the same location and further rapid development is looked for, including coke ovens to use the refinery by-product. Last but not least as a probable source of increased revenues are the pending rate division cases between eastern and western roads which are in the process of being worked out.

The practical question is: When will be earning power that is being built up be translated into more representative dividends on Great Western common? The currently indicated rate of $1 annually plus stock is undoubtedly the principal reason why the price of Great Western common is held at the level of only about six times per share earnings or less. The roads directors will meet on the final dividend action for this year in December and the market behavior of Great Western common around 38 is evidencing no more than restrained enthusiasm about the outcome.

Whatever is done, it appears likely that the dividend policy of the Great Western management will remain on the conservative side for some time to come, patterned along the lines of the Kansas City Southern policy. It would appear that more than a strong traffic tie exists between these two roads, headed by father and son, and this has also led to merger rumors from time to time, remote as this would seem to be because of the difference in financial parity. However, just as the patience of Kansas City Sotuhern stockholders has been well rewarded, the longer term investor may in time look back with approbation of the forward-looking and cautious stewardship of the Chicago Great Western.

Continued from page 6

Another Look at Consumer Credit

sor McNair of the Harvard Graduate School of Business Administration has stated, the soft goods industry appears to be going "downhill" in competition for the consumer's dollar. This may be due, in part, to the fact that credit facilities are better established in the field of durable goods. Because of this relative ease in utilizing credit, the consumer may be led to buy **less** soft goods and services and more **hard** goods than would be the case otherwise. The fact that the automobile may be easier to buy on time-payments than the suit of clothes or the club membership, may influence family expenditures in the direction of the automobile.

(c) Again, the user of consumer credit may be forced to call a halt to some types of expenditure and to budget his income to meet monthly instalment payments. "Incidental" or "non-essential" expenditures may be made to give way to the requirements of the instalment sales contract.

Following this development still further, consumer credit may cause its user to direct more of his expenditures into the channel of investment, or near-investment, lines instead of using it for current out-of-pocket uses. For example, the purchase of a car, made easier by instalment credit, represents much more nearly an expenditure of "capital equipment" for the family than does the use of funds for movies, soft drinks, entertainment, etc.

Furthermore, such use of funds by the family may provide services which previously had to be met by out-of-pocket expenditures. The ownership of the car may enable the family to eliminate a large part of its previous expenditure for bus, tramway and taxi. Or the purchase of a washing machine may enable the family to eliminate a large part of its former expenditures for laundry. Advantageously, such capital expenditures enable the family to reduce current expenditures.

(d) On the other hand, since the availability of consumer credit places more consumers in an "open-to-buy" position, which would not be possible otherwise, it may enable the user to over-indulge in purchases and to enter into instalment contracts beyond his ability to pay. Unfortunate habits of spending and, in fact, unfortunate patterns of living may be developed. These may be discovered only after inability to meet contracted payments bring them to light. These risks would, of course, not be present were the consumer using only cash for his transactions.

In addition to its influence on the position of the consumer, instalment credit influences retail sales, production and economic activity in general. When consumer credit is expanding, it aids the retailer by making goods easier to sell, by increasing his turnover of goods and thus conserving his working capital. With consumer credit available, he can "talk sale" to those without cash. The expansion of this credit widens his market beyond the limits of cash payment. The widening of the market stimulates production and tends to broaden economic activity in general.

By the same token, contraction in the use of consumer credit narrows the market for the retailer. The consumer's income is used, in part, to make payments on goods already purchased, and the retailer's market is thus narowed. The lower retail sales, in turn, have their adverse influence on production and on economic activity in general.

At the present moment, it is clear that the high level of consumer demand, production and employment in this country is based, in part, on the rapid expansion of consumer credit. But consumer credit does not always move at high speeed on a one-way street. When the use of consumer credit slows down, its stimulating influence is reduced, and when its forward movement is reversed, it becomes a retarding influence on retail sales, production and employment.

In other words, consumer credit has the same general influence on the economy as that exerted by other types of credit. Consumer credit, expanded at the top of the business cycle, adds to the boom and, therefore, involves risks just as does any other type of credit.

Easing of Consumer Credit Terms

And this leads us to another important consideration. The easing of terms in recent years has been an important means of expanding the use of consumer credit. Exact data relative to terms over a long period of years are not available, but from business publications and economic journals one can get a fairly good impression of the proportions of downpayment and the period over which instalment payments were made during earlier decades. In the 1920s, 30 or 40% downpayment and instalments running 10 to 12 months were considered reasonable terms in automobile financing. Since that time, we have seen much easier terms. Now, in the purchase of an automobile, payments over a period of 30 months are common, payments extending to 36 months are not uncommon, and payments over a period of 42 months are not unknown in different areas. One of the prominent motor companies has recently stated that the "average" period of payment is now 29 months.

Furthermore, the tendency to ease is not at an end. Mr. Ray Gidney, Comptroller of the Currency, has recently stated that a current survey indicates "a present tendency to loosen terms."

In the development of progressively easier terms, the intermittent use of Regulation "W" probably had a part. In each of the three applications of this Regulation, Government agencies took the responsibility of determining what the terms were to be. Lenders naturally went as far as they could within the limits laid down. The longest possible terms within the law tended to be considered the "right" terms. Then, in each case, the removal of the Regulation meant that lenders were left free to make terms, and competition naturally moved terms in an easier direction. Thus, in net effect, Regulation "W" may have had considerable influence in weakening resistance to the lengthening of terms.

Automobile sales have been one of the areas of sharpest competition in terms. One of the dangers of smaller downpayments and lower monthly payments in the purchase of automobiles is the possibility that the buyer's balance to be paid may be above the current value of the car purchased. This may cause little trouble in good times so long as the buyer's income remains high. But during a period of declining income, the instalment buyer, under such circumstances, may be inclined to see less reason why he should continue to make payments.

The terms "packing" prices and "balloon" payments have sometimes been reported in recent automobile financing. The former, a way of disguising low downpayments by hoisting the price of both the new car and the trade-in, can be eliminated by adhering to dealers' costs or factory invoice prices. The latter, a method of reducing near-term monthly instalments and expanding later instalments, has no place in sound automobile financing. Fortunately, it appears that these practices are not widely used at the present time.

Apart from these inherent problems, the collection experience of consumer credit lenders in recent years has been very good. Payments, with very few exceptions, have been kept up, and delinquencies have been very small. But it must be kept in mind that this favorable experience has been strongly supported by good business and steadily rising incomes. What the experience would be in case of business decline is, of course, a matter for speculation.

One of the unfortunate results of the rapid expansion of consumer credit has been the failure, thus far, to develop adequate standards, or norms, for the guidance of all concerned. Much would be gained if we had some par-for-the-course figures against which to compare individual cases. Many lenders have done well in developing standards from their own experience to guide their lending. We need to perfect such norms by a wide study of lending experience, and, once they are established, to use them and live up to them. Similarly, norms to guide the family in its instalment purchases might well be developed, with due consideration of such basic items as the family's income, its "fixed" expenditures, its total debts, its reserves, its contingent obligations, its likely future expenditures for education, etc. Also, norms might well be developed for the item purchased, based on its price, its expenditure-saving quality, its durability, its resale value, etc. Most lenders and borrowers have some rule-of-thumb standard, but there is a broad field still for the development of norms which combine the knowledge gained from experience for the good of borrowers and lenders.

In some respects, the present consumer credit situation suggests that the stage is still set for further expansion. Public acceptance of consumer credit is growing. More than half of the non-business spending units are now using consumer credit, and the number of people using it probably continues to increase. Retail sales have been increasing since early 1954, and the prospect for fall and holiday sales is now the best ever. The varieties of goods sold on consumer credit are becoming more numerous. Consumer optimism continues to grow because of rising incomes. People are saving smaller proportions of their increased earnings. Some consumers may be more accustomed to living closer to the margin of safety than they were a few years ago. And, above all, competition for the sale of articles commonly sold on credit is becoming more intense. This situation

makes it particularly important that lenders give attention to the merits of each case—the purpose of the loan, the character of the borrower, his earning capacity, his willingness to pay, his family responsibilities, etc.—rather than to relax terms to meet competition.

Dangers From Easing of Credit Terms

This is not to suggest that the growth of consumer credit should be checked or held static. But it is clear that we should guard against the progressive easing of terms which will unduly stimulate business in the immediate future and might add to the possibility of an interruption in the advance later on. And we should give attention to tightening of terms in areas where such is needed.

It is a wise lender who helps his customer accurately to count the cost of consumer borrowing as compared with paying cash. Much is to be gained by helping the prospective buyer fully to understand the situation and to draw a line at the point where it is best for him and his family to forego the "early purchase" which consumer credit affords.

Four points stand out clearly as we review the consumer credit situation. In the first place, although consumer credit in any great volume was not introduced until well after the turn of the century, it is clear now that it has taken its place as an established part of our credit system. It is the task of all of us now to study it, to understand it, to perfect it and to keep it in a strong position.

In the second place, it is clear that, in recent years, consumer credit has been expanded with extraordinary rapidity over a broad field. The speed of this development has undoubtedly increased the current problems involved.

In the third place, because a broad use of consumer credit is relatively new, the best practices and the best general rules may not yet have all come to light, and clear lines may not yet havebeen drawn between good practices and bad. Standards need to be developed and "lived up to."

In the fourth place, it is evident that, because of its importance in our economy, to overdo the use of consumer credit would be to strike a blow, first, at consumer lending institutions themselves and, second, at the well-being of the consumer and the stability of the entire economy. Therefore, all of us have a prime interest in keeping consumer credit on a sound basis through the years ahead. Under present circumstances, it is the lender who bears the major responsibility for exercising restraint, and his objective should be to extend credit only on terms which are sound for himself, sound for the borrower and sound for the economy as a whole. Adherence to this objective will insure the continuing flow of instalment lending which is beneficial to consumers and essential for a strong and growing economy.

Two With Daniel Weston

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Coit Decker and Richard H. Vertlieb are now with Daniel D. Weston & Co., 140 South Beverly Drive.

King Merritt Adds

(Special to The Financial Chronicle)

SPRINGFIELD, Mo. — Otto L. Viets, Sr. has been added to the staff of King Merritt & Co., Inc., Woodruff Building.

Joins Bache Staff

(Special to The Financial Chronicle)

RALEIGH, N. C. — Frederic S. Farah has become affiliated with Bache & Co., 126 South Salisbury Street.

Public Utility Securities

By OWEN ELY

Peoples Gas Light & Coke Company

Peoples Gas of Chicago and its pipe line subsidiaries form one of the largest integrated gas systems, with annual revenues of about $144 million. Serving a population of 3,780,000 in the City of Chicago, it is one of the most rapidly growing systems, current revenues being over three times those of 1947. The growth is, of course, largely due to the increase in the number of space heating customers from about 40,000 in 1947 to 170,000 currently; by next June the number will increase to an estimated 213,000.

Peoples Gas obtains its supply of natural gas from southern and mid-continent fields; two subsidiaries, Natural Gas Pipeline Company of America and Texas Illinois Natural Gas Pipeline, operate pipe lines with a combined daily capacity of over a billion cubic feet of natural gas. Another subsidiary, Chicago District Pipeline Company, transports gas from the northern terminals of these two pipe lines to three distribution companies, including Peoples Gas. Natural Gas Storage Company of Illinois owns and operates the underground storage facility at Herscher, Ill. The System also includes two production subsidiaries, Peoples Production, engaged in exploration for gas and oil in the Gulf of Mexico, and Texoma Production which explores areas along the route of the Natural Gas Pipeline.

There is still a huge unsatisfied demand for gas for space heating in Chicago and adjacent areas. Only about 40% of the 550,000 single-family residences in the city are now heated with gas, and very few multiple-family buildings use gas for heating. There are also many thousands of commercial and industrial customers who want to heat with gas, but the company has been unable to service them because of the backlog of residential demand. Excluding 40,000 heating customers recently authorized for service, there are some 68,000 residential customers on the waiting list, and over 40,000 other customers of all classes have indicated their desire for the service. This great backlog of business results from the price advantage which gas enjoys over fuel oil. An average six-room house can be heated with gas at an estimated cost of $150 per season, while fuel would cost $195.

The company is also maintaining its lead in the sale of gas ranges for cooking; despite competition from electric stoves, over 95% of the ranges sold in 1955 were gas. The company has been pushing its advantage with TV spot commercials, newspaper ads, etc., emphasizing the many new advantages of the latest model gas ranges. It is also maintaining its position in the water heating field, having installed over 16,000 units last year, and promotion of the new gas incinerator is beginning. About one-eighth of the dwelling units in Chicago use gas for refrigeration. Pilot models for air-conditioning are also being built and the company is confident that a market can be developed.

A large amount of gas which the company eventually hopes to sell for space-heating (at a rate currently around 8.8c per therm) is now being sold to industry at interruptible and off-peak rates averaging only 2.7c and 3.7c per therm, respectively. But in order to fully service these new residential customers on very cold winter days, when the peak load is heavy, it is necessary to build up storage facilities. The development of the Herscher underground storage project is thus a major factor. The authorization of 40,000 new space-heating customers in August, 1955, was made possible through the successful development and operation of this project. Injection of cushion gas into Herscher began early in 1953 and commercial operation began in the winter of 1953-4 but gas leakage delayed its development.

An expansion certificate was granted in August this year and daily deliverability is now being increased from 150 million cf to 430 million cf. While the long-standing leakage has not yet been corrected, it has been offset by a new gathering system which will replace some 17 million cf vented gas daily or over twice the maximum amount thus far vented. According to Chairman Oates, experts employed by the company agree that "whether or not the cause of the venting is found, the storage field with the use of the permanent gathering system . . . is and will continue to be a useful and valuable storage project. . . . With no further expansion of the storage project is estimated that 45% of the gas required in Chicago for space-heating on a peak day in the 1956-57 heating season will be withdrawn from Herscher." The Herscher project cost only about $25 million, while the construction of another long-distance pipeline would have cost seven or eight times as much. Studies are being made for new and additional underground storage facilities, as well as the possible expansion of the Texas-Illinois Pipe-Line.

System gas reserves is another matter of interest, but the topic is highly technical. Peoples Gas and its affiliated pipelines have substantial reserves but the company is working energetically to obtain new supplies from various sources, including off-shore leases in the Federal waters off Louisiana. Details of the supply situation were covered quite fully in the company's prospectus of May 27, 1955, and in a talk by Chairman Oates before the Security Analysts of San Francisco Oct. 20.

System capital structure as of Aug. 31, 1955, was as follows:

	Millions	%
Long-term debt	$237	54
Subsidiaries — Preferred stock and minority equity	26	6
Common stock equity (1,230,203 shares)	$174	40
Totals	$437	100%

Peoples Gas has been selling recently around 154 and pays $7 to yield 4.5%. Earnings for the 12 months ended Sept. 30 were $10.43, making the price-earnings ratio 14.8.

M. E. Morgan Co. Opens

BROOKLYN, N. Y.—Meredith E. Morgan is engaging in a securities business from offices at 361 Clinton Avenue, under the firm name of The M. E. Morgan Company.

Thomson McKinnon Branch

NAPLES, Fla. — Thomson & McKinnon have opened a branch office at 882 Fifth Avenue under the direction of Kenneth A. Wood.

Western Secs. Branches

SALT LAKE CITY, Utah—Western Securities Corporation has opened a branch office at 220-A South Fourth Street, Las Vegas, Nev. and in the Howell Building, Ogden, Utah.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Bank Stocks

For the leading New York City bank stocks at Sept. 30 there was a continuation of the shift out of United States Government obligations into loans and discounts. For the 12 months to that date there was a decline in governments of $2,283,320,000, or 25.6%; while the gain in loans was $2,237,317,000, or 19.5%. With the dollar amounts almost the same, the net effect was to exchange government holdings for loans, the latter giving a higher return.

The individual bank changes were as follows:

—(In Thousands of Dollars)—

	United States Governments			Loans & Discounts		
	Sep. 30,'54	Sep. 30,'55	% Chg.	Sep. 30,'54	Sep. 30,'55	% Chg.
Bankers Trust	$615,390	$437,921	—28.8	$1,262,154	$1,429,881	+13.3
Bank of New York	124,353	110,545	—11.1	185,337	218,302	+17.8
Chase Manhattan	1,825,003	1,239,991	—32.0	2,691,335	3,230,918	+20.1
Chemical Corn Exchge.	852,586	563,301	—33.9	914,508	1,222,790	+33.7
Empire Trust	61,354	38,220	—37.7	51,348	68,271	+33.0
First National City	2,025,960	1,593,284	—21.3	2,320,911	2,796,700	+20.5
Guaranty Trust	910,722	735,634	—19.3	1,253,013	1,437,173	+14.7
Hanover Bank	557,225	438,831	—21.3	638,176	749,310	+17.4
Irving Trust	441,186	318,889	—27.7	610,466	723,410	+18.5
Manufacturers Trust	944,827	758,496	—19.7	845,093	992,177	+17.4
J. P. Morgan & Co.	242,523	151,196	—37.6	292,172	353,377	+20.8
New York Trust	250,111	190,525	—23.8	307,057	364,526	+18.7
United States Trust	74,154	65,190	—12.0	51,538	73,590	+42.7
Totals	$8,925,393	$6,642,073	—25.6	$11,423,108	$13,660,425	+19.5

For the 1954 date the amounts have been combined in the cases of mergers since that quarter-date: National City-First National; Chase-Manhattan; Bankers-Public; Chemical-Corn Exchange.

Some of these banks have registered losses on some governments sold; but this has its compensation, for such losses may be utilized as partial offsets to operating profits for income tax purposes.

An approach to the growth factor of the banks, even for as short a span as the 12 months ended with Sept. 30, last, is afforded in the following tabulation. There is given first the increase in equity or book value for the period. To this has been added the dividends disbursed in the 12 months, and then this total is related to the price at the start of the period. In one case, First National City Bank, the increase in equity is distorted as when City and First National merged, the First National Bank shareholder was bought out, and in the process $165,000,000 was paid out. The customary adjustments have been made for stock dividends and splits in the period, and the data of the merged banks, four in number, have been given pro forma as the method that makes them more nearly comparable.

TWELVE MONTHS ENDED SEPTEMBER 30

	Book Value			12 Mos. Dividends	Tot. Gain to Stockholders	Ratio to 9/30/54 Price
	9/30/54	9/30/55	Increase			
Bankers Trust	$57.07	$58.64	$1.57	$2.48	$4.05	7.7%
Bank of New York	*248.61	253.29	4.68	10.50	15.18	7.1
Chase Manhattan	40.95	43.52	2.57	2.13	4.70	11.7
Chemical Corn Exch.	39.66	41.30	1.64	1.82	3.46	8.3
Empire Trust	126.57	137.63	11.06	3.00	14.06	9.4
First National City	58.50	58.96	0.46	2.49	2.95	5.5
Guaranty Trust	80.29	81.43	1.14	3.70	4.84	6.6
Hanover Bank	49.25	51.21	1.96	1.96	3.92	8.2
Irving Trust	24.78	25.35	0.57	1.30	1.87	7.0
Manufacturers Trust	73.88	77.66	3.78	3.20	6.98	9.4
J. P. Morgan & Co.	236.76	244.66	7.90	10.00	17.90	7.2
New York Trust	63.50	65.07	1.57	3.00	4.57	7.1
United States Trust	318.83	327.74	8.91	16.00	24.91	8.3

*Adjusted to allow for a transfer of $9.37 from reserves.

This gain to the stockholder is apart from whatever price appreciation took place in the 12 months; and the market gains in the list varied from approximately 9% in two cases to 31% in two others, with an average of about 19% in round figures. Of course the market change is decidedly a variable, whereas the so-called gain to the stockholder is largely retained. The change in a bank's book value is rarely a minus factor, and then only in a serious depression. Normally retained operating earnings constitute the main source of increases in equity, although in some instances net security profits and recoveries contribute, too. But most large banks today carry these latter items to reserves of one kind or another, so that as far as equity is concerned, its growth is derived from the "plow-back" of operating earnings in excess of dividend requirements. Naturally, with only about 62% (average) of operating earnings going out in dividends, these leading New York banks show excellent accretions to equity from year to year.

Continued from page 5

Financing Patterns in the Natural Gas Industry

important effect on your per share earnings. Since the end of World War II it seems to have become the fashion to reduce pyramids and to build up the equity position. Thus during the best bond market we have ever had or may ever see again, proportionately few bonds were sold. At the same time an inordinate amount of common stock was sold in what until recently was a subnormal common stock market. The resulting dilution of per share earnings is one of the main reasons why you have the reputation in financial circles of being a rapidly growing industry in physical units but unable to translate this increasing demand into growth in earnings. I have consistently been opposed to this trend toward higher and higher equity ratios and refer to it as 1929 encephalitis. Whenever we consider buying a common stock, I am not too interested in what the equity ratio is but what is going to happen to it. If it is going to rise, I don't want to buy the stock, but if it is going to decline, I am very much interested.

Obviously there are limits to which the capital structure can be pyramided. Because of the different risks involved I cannot give you any over-all formula that could apply generally. The greater the risk, the lower the pyramid should be. Many of the transmission companies have already reached what I consider the limit. I believe that they should have at least a 20% common stock ratio and a 15% preferred stock ratio which leaves a 65% debt ratio. On the other hand, many distribution companies, probably because manufactured gas operations are still fresh in their memories, have built up a stronger-than-necessary high-cost equity position. A common stock ratio of 30% and preferred stock ratio of 15% appears adequately strong for them. Under today's accounting standards such a structure is probably stronger than a comparable 1929 equity ratio of 50%. Combination electric and gas distributors seem adequately financed with 25% common and 20% preferred stock ratios. Companies with stronger ratios than those above mentioned have an opportunity to increase per share earnings by financing with bonds and letting their equity ratios slip.

Price-Earnings Ratios

As earlier stated, price-earnings ratios can be more important than the earnings level itself in establishing a value for a stock. For example, we own two stocks both earning $4 a share and paying a $2 dividend. Yet when our portfolio was priced on Sept. 15, one of those stocks was selling at 31 and the other at 64. Why should there be such a discrepancy in price-earnings ratios?

The more we study the market and what makes stocks sell where they do, the more we become convinced that a high price-earnings ratio is the product of investor confidence in the earnings level and growth in earnings. By growth in earnings I don't mean MCF send out, gross revenues, or even net income. What I refer to is **per share** earnings.

Investor confidence in the earnings level is of major importance and the investor must not feel that earnings are vulnerable to a substantial decline in any year. It was this fear that gave distribution companies a low price-earnings ratio in the days of manufactured gas. Under present operations you are in position to gain this confidence. However, to further this confidence, there are certain things you can do. For example, I believe that you should normalize unusual tax deductions. Your interest-during-construction policy should be given considerable thought. Many companies today are reporting earnings which are affected to the extent of more than 10% by this credit. They may charge 6% on an item of property and then when that property goes into service it may return only nominal earnings during its early life. Maybe your interest-to-construction policy should not be geared to any specific rate of interest but rather to the return expected on the particular item of property during its first year of service.

I cannot emphasize strongly enough how much a growth trend in per share earnings means to your price-earnings ratio. A few years ago Florida Power & Light, due to investor concern over collapse of the tourist trade and fear of hurricane damage, sold at a relatively low price-earnings ratio. Since then it has demonstrated a strong per share growth trend and today its stock sells at one of the highest ratios in the industry. Another example is Atlantic City Electric which in 1948 was considered a small boardwalk company by most investors. Since then it has shown some increase in per share earnings in each year, and today it also sells at one of the highest price-earnings ratios in the industry.

The year-to-year gain in per share earnings does not have to be substantial, but it should be steady. As previously noted, the regulated portion of your industry has only a few ways in which it can increase its per share earnings. Assuming that you are not already realizing a full allowable rate of return, an improvement in the return on the capital investment is the most effective way of obtaining higher per share earnings. I am not in favor of rate increases if they can be avoided, but if under good economic conditions and efficient operations your earnings are inadequate, your stockholders can rightfully expect you to apply for a rate increase.

The next most important way in which per share earnings can be increased is by increasing the capital pyramid and holding dilution to a minimum. Obviously there are limits to the pyramiding of the capital structure but because of its importance to per share earnings, the timing and amount of a common stock offering should be given considerable thought. It can be coordinated with your general level of earnings. If earnings during a given year are expected to show a substantial increase due either to a rate increase, cold weather, or a reduction in costs, that is a good time to issue common stock. But offer only enough so that it does not dilute the entire gain in earnings. In years of a prospective small gain in earnings, avoid the issuance of common stock if at all possible.

Along the same lines, I strongly recommend against the offering of stock through rights. The only possible reason for such an offering is to please some of your stockholders. In order to please them, the rights have to have some value and in order to establish value on the rights you must price the stock below the market. This means you are going to have to issue more shares to get in the same number of dollars than if you priced the stock at the market. The resulting unnecessary dilution will not help your per share earnings. Over the long run the higher per share earnings obtained by eliminating this unnecessary dilution will please your stockholders more than if they receive occasional rights. Also, a rights offering is expensive, it usually depresses the stock during the rights period, and most stockholders sell their rights on a depressed market. A rights offering either dilutes a stockholder or forces him to increase his investment in the company. He may already have all he wants invested in the company and if not, he can always add to his investment through the open market.

A third way of increasing per share earnings is through retained earnings. I am often asked what proportion of earnings should be paid out in dividends. There is no specific percentage that fits all companies. One consideration is what the company can do with the retained earnings. If a regulated company will issue a proportionate amount of prior securities and can earn a full return on the total investment, the return on the reinvested earnings can be quite large. Under these conditions the company is justified in having a low payout. In this instance the proportionately large reinvestment of earnings at a high return can contribute importantly to an upward trend in earnings. On the other hand, if a company can obtain only about a 6% return on its reinvested earnings, it is not justified in retaining a large portion of its earnings. In this case the reinvestment can have only a minor effect on the trend of earnings.

Management

Although investor confidence and growth in per share earnings are major contributors to a high price-earnings ratio, I would rate management a close second in this respect. When we consider an investment we find out all we can about the management. Is the management approachable, will they keep us informed about important developments, will we get an honest answer to an honest question, and most importantly is the management operating the company for the benefit of the stockholders? Since this is the primary function of management, it is generally assumed that management does have the stockholders' interest at heart.

Unfortunately, there are too many officers whose main objective appears to be to maintain their high salaried positions and the prestige that goes with the office. It was at your meeting last year in Atlantic City that I heard Mr. Dean Mitchell make an eloquent statement about management's primary duty being to the common stockholder. In my 23 years of following your industry, this was the first time that I had heard anyone get up in public and make such a statement. I was so impressed that when I returned to my office, I had an analysis made of his company. Liking what we saw and having been favorably impressed by the management we bought 20,000 shares of his stock.

In contrast to this, I was recently discussing financing with an officer of a company that had a capital structure consisting of 60% debt and 40% common stock. I recommended the use of some preferred stock and pointed out that not only would this give him some fundable property additions but as long as permanent capital could thus be obtained at a cost considerably less than the allowable return, it would benefit the common stockholder. His answer was that management had considered preferred stock and had decided against it. Although they realized the company could not be thrown into bankruptcy by a preferred stockholder, modern preferred stock provisions make it possible for the preferred stockholders to bring about a change in management in the event that a certain number of dividends were unpaid. Here was a management that gave its primary concern to maintaining its position rather than to the interests of its stockholders. Frankly if it could not earn enough to pay 4½% dividends on a small issue of preferred stock, it deserved to be thrown out. Put yourself in the investor's position. Would you rather have your funds under Dean Mitchell's management or under this other company's management?

Summary

To summarize all that I have said, I would like to review with you the five-year record of two utilities operating in contiguous territory and subject to the regulation of the same commission. One company I will call Company A. Its management is extremely stockholder-conscious. In fact, it owns substantial amounts of the company's stock. It has adopted a very strong financial relations program and periodically calls on the large holders of all its securities and keeps them fully informed. It has made a special effort to maintain an upward trend in per share earnings and in so doing has increased its capital pyramid in order to offset a deterioration in its rate of return. It has avoided unnecessary dilution where possible and has made only one common stock offering through rights. Common stock has been offered only in years when the prospective increase in earnings offset the dilution of the additional shares. The financing policy has been kept flexible so that the company has not been forced to finance in a weak market, and it has been successful in reducing the cost of its prior capital.

In contrast, Company B has a below-average financial relations program. Management is not too accessible to security holders and gives the impression of being primarily interested in maintaining its own position. Earnings have shown no upward trend. The company has maintained a very strong common equity position and has made no apparent effort to hold dilution to a minimum. Many of its security offerings have been poorly timed from the point of view of market conditions.

Now let us examine the five-year record of these two companies. From 1949 to 1954 Company A's plant account increased 98% as compared with a 53% increase for Company B. This obviously required proportionately heavier financing for Company A. In spite of this, the number of shares of common stock outstanding has been increased only 23% by the sale of new shares, whereas Company B has increased its outstanding shares 41% through the sale of additional shares. Company A's common equity ratio declined slightly from 33.2% to 29.7%, whereas Company B's ratio has been maintained at approximately 40%. Both companies have suffered some decline in the return on total capital. Company A's return was 6.4% in 1949 and 5.3% in 1954. Company B's return declined from 5.8% to 5.5% in the same period. In spite of the larger decline in Company A's return, its earnings-per-share-record has been excellent due to the slight increase in the pyramid and lower cost financing. Using an index with 1949 equalling 100, its per share earnings have been as follows: 100, 106, 107, 117, 133, 143. In contrast, Company B's record in the same period has been 100, 92, 101, 93, 89, 89. With earnings up 43%, Company A has been able to increase its dividend by 40%, whereas Company B has done well to maintain its dividend.

With this earnings comparison it is interesting to see what has happened to the price-earnings ratios. In 1949, Company A's stock sold at 10.8 times earnings, and Company B's stock at 10.3. By 1954, Company A's ratio had expanded to 16 for a gain of 47.6%, and Company B's ratio had expanded to 13.8 for a gain of 34%. With 43% higher earnings and a substantial expansion in its price-earnings ratio, Company A's stock appreciated 111.5% during the five-year period—a very creditable showing. Company B's stock, on the other hand, has appreciated only 19.5% which must be discouraging to investors in view of the boom in the general stock market.

With its common stock held in higher regard, Company A's cost of prior capital has declined. Although both companies have the same credit rating on their bonds, Company A had to pay slightly more for its bond and preferred stock money in 1949, but today the reverse is true. The over-all result of lower cost prior capital and a slight increase in the pyramid has been that Company A's total cost of capital has declined from 5.8% in 1949 to 4.8% in 1954. Company B's cost of capital, due almost entirely to an improvement in the price-earnings ratio in line with the higher stock market has declined only 0.4% from 5.3% to 4.9% in this five-year period.

I am sure that if you can compile a record approaching that of Company A, you will have no trouble attracting capital and you will be performing the primary function of private ownership. On the other hand, if your record is similar to that of Company B, I wonder how long you will be able to attract capital on a reasonable basis in our dynamic economy.

This leads to the final point I would like to make, and that has to do with the cost of money theory for rate making purposes. Of all the theories that have been promulgated during recent years, I believe this is the most dangerous. If broadly adopted and given great weight in establishing an allowable rate of return, nothing of what I have said makes much sense. There is no incentive to reduce the cost of your prior capital or to have your stock sell at a higher price-earnings ratio. In fact, it would be impossible for your stock to sell at a high price-earnings ratio because investors would no longer be interested in your stocks except at bargain prices. Today we will not invest in states where we believe this threat is real. Over the longer run this theory could only result in a higher cost of money and a deterioration in service to the customer.

Hutton 25-Yr. Club Dinner

The Twenty-Five-Year Club of E. F. Hutton & Company, nationwide brokerage and investment firm, held its ninth annual dinner Nov. 7. There are 63 employee members of the club, all associated with the firm's New York City office. Their terms of service range up to 50 years.

As guests at the dinner were the firm's partners, 13 of whom have also been associated with the company for 25 years or more.

Chicago Analysts to Hear

CHICAGO, Ill.—The Investment Analysts Society of Chicago will have George G. Main, Treasurer of Westinghouse Electric, as speaker at their luncheon meeting to be held Nov. 10 in the Adams Room at the Midland Hotel.

Three With L. A. Caunter

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Robert L. Betts, Jr., Earl J. Davison and Paul J. Kozelka are now with L. A. Caunter & Co., Park Building.

Continued from first page

As We See It

Republican politicians want to be able to have the voters next year feel that they "never had it so good."

Yet there is always the possibility that this boom or bubble, or whatever it is, may collapse prematurely, and leave "naught but pain and grief" for the administration forces instead of "promised joy." It may be in a sense that all this good fortune is too good to last. The situation in agriculture is distressing, and could, of course, spread its influence. There can be little doubt that a substantial part of the extraordinary activity now seen on almost every hand has been artificially stimulated by very easy credit, and it has piled up goods, particularly in the hands of consumers, at such a rate that not too much would be required to alter the outlook. Labor has succeeded in adding substantially to costs already very high. The rate of gain during the past year has been extraordinary. How much longer it could be maintained if permitted or even encouraged to continue is an open question.

The Brakes Become Hazardous

On the other hand there is the perennial question as to whether brakes could be applied in such a way as to reduce the pace of the advance without precipitating precisely the sort of general decline that is most unwanted at present. This sort of danger is, of course, inherent in the type of full employment philosophy now preached and practiced in Washington. When business has reached a dangerous stage as a result of artificial stimulation, it is exceedingly sensitive to any reduction in the rate at which the stimulants are applied—to say nothing of their complete withdrawal. It has been said over and over again in official circles that monetary policy is perhaps the most effective instrument of all in supporting full employment. These commentators have steadfastly neglected the well established fact that a business boom which is born of inflationary money tactics, or lives by them, almost certainly dies by them when applied throughout the so-called cycle as (envisioned by the money managers of this day and time.

All this is, of course, inherent in the type of planned economy now so much in vogue. Its avowed purpose is to keep business moving continuously upward. Its *modus operandi* is based upon government taking the lead and providing the impetus for expansion, rather than permitting business to generate its own steam as it most certainly always has done and always will do provided only that government keeps out of the way. It likewise has another fatal shortcoming. Under it, the managing officials keep their eyes on business activity rather than upon conditions which control business men over the longer period. It pretends to abolish or to have abolished the business "cycle" not by encouraging the elimination of basic causes—as far, that is, as it is the proper role of government to do so — but by encouraging and stimulating business men to ignore those causes.

Let any given industry begin to show signs of distress, and the question at once becomes paramount: What can we do to bring it back to its former rate of activity at the earliest possible moment? Subsidies—often miscalled incentive taxation? Easier credit? Government purchases? And dozens of other panaceas. It apparently never occurs to any one to ask whether it is a good thing in the long run to get it back at a feverish pace. No one asks whether the industry or branch of business is overbuilt or overextended, or whether it has developed conditions which need correction and which must have correction before it can really be regarded as in sound health again. These things seem to have become outmoded and forgotten.

In Agriculture, too

It is essentially the type of philosophy that has been applied to agriculture for several decades, and which is responsible for the deplorable situation existing in that branch today. It has not been carried to the same extreme generally to be sure, and is not so apparent on the surface, but at bottom the similarity is real enough. It has found expression geographically. Labor unions have been most active in insisting upon all sorts of devices and expedients for maintaining the *status quo* in regions which long-term developments have tended to leave high and dry. Those tactics, however, rarely go to the roots of the matter. They rather concentrate upon finding ways and means of attaining their ends despite the continued existence of the causes that are responsible for the conditions of which complaint is made.

These newer ideas — if that they can be termed — have given rise to a number of rather strange notions. "Money supply," and all that is said about it nowadays, is a case in point. We used to talk about the volume of bank credit, the amount of gold in the country, the extent of fiat currency in circulation, and the like. We used to suppose that it made a vast deal of difference whether the outstanding credit was of the proper type. We wanted to know the basis upon which it had been issued and was kept outstanding, and the concerns which were the borrowers. Fiat currency was anathema to serious students of economics. Gold came into the country or left it, depending upon how business was being conducted and the care with which its financial operations were being managed. The total volume of credit and currency was regarded as a natural outgrowth of such factors as these. In short, we used to think of how the "money supply" —although the term was not often used—came into existence and was being maintained. Now no one seems to be interested in anything but how large or how small it is.

We have indeed come upon strange times!

Nation's Businessmen Watch Minute-Wasters

Ray Josephs notes stepped-up use of wide variety of minute-saving techniques, ranging from desk arrangement to lunching routine to telephone answering policy.

How much is the U. S. businessman's time worth per minute?

The man earning $5,000 a year is doing it at the rate of 4½c a minute, or $2.55 an hour. The $10,000 a year man is paid 9c a minute, or $5.10 an hour. And the $100,000 a year executive is drawing 85c a minute, or $51.00 an hour. All the computations are based on a five-day, 40-hour week, minus a total of three vacation weeks including holidays—or a total of 1,960 hours yearly.

Ray Josephs

Yet, regardless of high or low earning power, eight out of ten American men and women in business make a deliberate — albeit often unsuccessful — attempt to save minutes and accomplish more in less time.

Such are the results of an extensive study of time-saving methods of U. S. business executives completed this week by Ray Josephs, public relations consultant for many leading concerns. Mr. Josephs discovered that executives in the advertising and marketing fields are most conscious of, and expend greatest effort, to avoid wasted and lost time. They are followed by brokers, accountants, atttorneys, bankers—many of whom charge on a time sheet basis and by others in service, retailing, automotive and the business side of entertainment fields.

In a new book summarizing his findings ("How to Gain An Extra Hour Every Day") and outlining ways in which top executives seek to gain time and accomplish more, Mr. Josephs discovered that U. S. business executives have, in the last year, sharply stepped up their use of a vast variety of minute-minding techniques. Here are some of the most unusual:

The Desk

Lawrence A. Appley, President, American Management Association, has gone from clean desk to no desk and dispensed with his desk entirely. Believing that a desk "only buries decisions," he keeps no files or papers; relies on an assistant to bring him items needing immediate attention and forcing him to act as quickly as possible on new matters. Louis Hausman, Administrative Vice-President, CBS Radio, has a similar deskless set-up. He keeps the few papers he needs on a low coffee table—finds the informality of his office encourages easier conversations, faster-moving conferences. Milton Biow, Chairman of the Board of a leading advertising agency, has a tiny, primarily ornamental desk; signs most letters leaning atop one of his secretary's desks in a passage outside his own office. Result: He collects few time-wasting papers. An increasing number of other business leaders, Josephs found, are using simple, flat-top, free-form desks with a minimum of one file drawer.

Telephones

Mrs. Ivy Baker Priest, Treasurer of the U. S., uses a lightweight head set similar to those of operators, instead of a conventional phone, leaving both hands free to go through piles of incoming and outgoing mail. Management Consultant George May has a similar headset. Without tiring himself by holding a receiver or constantly picking it up, he makes and receives as many as 200 calls daily, doesn't mind waiting for a caller and avoiding time-wasting call-backs, he's busy, not doodling. Real estate developer William Zeckendorf, and many others, subscribe to Air-call, a subsidiary of Telanserphone, providing a six ounce, battery-run pocket radio Receiver. Without taking time to contact his office constantly, he's advised of important calls. Sonia Henie, an astute business woman as well as an entertainment personality, groups incoming and outgoing calls to save time, discovers it saves her up to 30 minutes daily. Many other busy men keep careful rolladex records of when persons most frequently called are least likely to be busy, save wasted, uncompleted call efforts.

Speeding Up Meetings

Alfred E. Lyon, Board Chairman, Philip Morris, Inc., speeds up decisions from committees by scheduling late day meetings. Since most people are anxious to get home, he explains, talk-for-talk's sake is held to a minimum. Frequently subjects which might take three hours to solve in the morning are settled in one, or less, at day's end. Department store executive Max Hess speeds up his conferences by holding them standing up. He has no regular office, instead walks around to departments—finds that when standing, preliminaries are dispensed with, everyone gets down to the heart of the problem, decisions are speedier and most effective. "It's hard to be pompous and long-winded standing up," he explains.

Investment broker Arthur Weisenberger discusses business before lunch rather than after. Since everyone wants to eat, he adds, little time is wasted on polite, but meaningless, trivialities. Film producer Sam Goldwyn has ended lengthy business luncheons by making all dates for 1:00 p.m., announcing unbreakable 2:30 appointments. Anna M. Rosenberg, former Assistant Defense Secretary and War Manpower Board Head, refuses to schedule meetings likely to run over 15 minutes without pre-circulating an agenda. Wherever possible, she grants interviews only if the specific area to be covered and decisions to be reached are submitted.

Lunching Time

Lehman Bros. and other firms have elaborate kitchens built into offices. By inviting guests in they themselves save up to from 45 minutes to an hour, avoiding the need to go to midtown or other crowded restaurants. They can keep working until guests arrive and be back at work a few minutes after lunch — with no time wasted in travel. Chandler's, New York restaurant, has installed dictating machines for busy management men who want to use the waiting time to complete additional work. Memos or letters are transcribed while they eat, typed copy returned with the check. (Note: Many time-conscious businessmen also said they used 25c coin-operated dictating machines installed in soundproof booths in hotel lobbies, airports, railroad terminals.)

Robert A. Whitney, President, National Sales Executives, finds that despite the ease of making an advance call, at least 50% of all business people still wait in line at crowded luncheon places—and often for railroad, airline, store pickup and other services. Whitney has estimated he saves between 20 and 45 minutes daily by rarely going anywhere without an advance call.

Gaining Uninterrupted Time

Leon Cherne, Executive Director, Research Institute of America, has discovered that most executives actually don't have 20 minutes uninterrupted time during the day for even the most important decisions. Cherne has worked out a personalized activity analysis system — red for contacts with superiors, blue for contact with subordinates, green for administrative tasks. By grouping colors he's able to perform similar tasks in sequence rather than at different periods, cuts "make ready" time, walking, other interruptions to a minimum.

Defense Secretary and former General Motors chief Wilson makes it a practice to lock office doors and silence incoming calls for certain regular periods each day—reporting he's "out" rather than "in conference." The latter phrase annoys many outsiders. Others go to a "secret office" outside their own building or hide out in unoccupied offices in their own headquarters. Several told Josephs they made time for themselves, and also soothed jaded business-nerves, by taking occasional "rest cures" in their own beds. They stay under covers, eat only light meals, take time to think through major issues while mental and physical condition improves.

With A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

LAKELAND, Fla. — Shirley Chapman has joined the staff of A. M. Kidder & Co., 131 South Tennessee Avenue.

With Earl A. Holtham

(Special to THE FINANCIAL CHRONICLE)

MODESTO, Calif. — John Columbo is with Earl A. Holtham, 1024 J Street.

Continued from page 3

The Short-Range Business Outlook

pectation has been that it would continue up into next year.

Capital Investment Still Rising

I still expect the rate of capital investment by business to be moving up as we move into 1956. In a few weeks, when we complete our McGraw-Hill fall check-up on 1956 investment plans, I'll be on firmer ground factually. In the meantime, there is one of those voids in information which makes business forecasting such an exhilerating activity. The fact remains, however, that one of the major trends in American corporate management in recent years has been a trend toward the long-range planning of capital investment. Eight years ago when we started to make our McGraw-Hill surveys of plans for capital investment, only a small fraction of the cooperating companies could give us estimates of their expenditures beyond the year immediately ahead. Now over ninety (90%) of the companies which cooperate, and a far larger number of companies than it was eight years ago, can give us an indication of the expenditures they plan for some years ahead.

I expect the trend toward long-range planning of capital investment to hold in the months ahead, and to reinforce what I am sure will gain immortality as Keezer's Law of business investment, that "the stability of plans for capital investment by business tends to vary in direct proportion to the number of Vice-Presidents who must initial a change." Plans for increased capital investment next year have been put in place. Legions of Vice-Presidents are also in place. I expect the plans to hold up very well in the period immediately ahead.

Of course, if organized labor should gain the ascendancy over the Democratic party to which it seems to aspire, and the Democratic party should prevail generally at the polls next year, I am confident that there would be a prayerful reconsideration of many business programs of capital investment. And I also think such reconsideration might lead to some discouraged downward revision of these programs.

On the record since the war, it can, of course, be argued that the character of the controlling national economic and political policies has little or no bearing on the course of capital investment. Business investment hit new highs almost every year between the end of the war and 1952 in spite of the fact that the published statements of most business leaders indicated that they thought the Democratic party was leading the country right down the primrose path to disaster.

I am sure, however, that before concluding that this shows that lack of confidence in the government on the part of business leaders is a stimulus to business investment, you should take into account some other important facts. Among them are the facts that the period in question was one when, after many years of depression and war, business was starved for producing facilities. It was also a period when the process of filling great backlogs of consumer demand, built up during the war, kept a heavy forced draft under business.

Factor of Confidence

In the period ahead, these extraordinary stimulants to capital investment will not be present in anything like the same degree. Under such circumstances, I would expect the element of confidence in the national government to play a larger role in shaping business investment that it has in much of the postwar period. Under relatively normal conditions, I agree with the recent observation of the (London) "Economist" that "unless there is widespread business confidence there cannot be any prosperity." However, I think that shifts in confidence are relatively slow in unfolding, even under the impact of great shocks such as that created by the President's illness. In this connection, I am reminded of the reply I received when I recently asked a friend who has been scarcely less than fabulously successful in business to tell the most important single secret of his success. He said that it was his discovery early in his career that nothing in the political and economic field happens as fast as most people think it will. That observation might have some useful relevance to the current situation.

In considering the relation between confidence and business investment, I also can at least conceive the possibility of a political re-alignment which would make the Democratic party considerably less of a *bete noir* for business than it was for a long time prior to 1952. In this general connection, I was impressed by the recent observation of the "Manchester Guardian Weekly" that the old standbys of the British Labor party — nationalization and so-called "planning"—"make no appeal (why should they?) to a generation to which unemployment is a memory, to which class bitterness in industrial relations is hardly known, and to which the idea of State control has ceased to have any magic." It occurs to me that much of the "give 'em hell" political medicine, (the "'em" being businessmen, in considerable part) of which former President Truman remains perhaps the most vigorous practitioner, may prove equally outdated and recognized as such by those who come to control the Democratic party.

But while this line of reflection is highly relevant to the future of capital investment and hence prosperity in the United States, it takes me a little bit afield. For the immediate business outlook, the key consideration is my expectation, which I hope I have made seem reasonably well-founded, that the rate of capital investment by business will continue to increase for some time.

Public Investment

Along with private investment in new producing facilities, I think it can be safely anticipated that public investment in public facilities such as schools, highways and equipment to provide water and keep it away (in the form of floods) will continue to increase. At present, we are spending at a rate of about $12 billion annually for facilities of this type with more than 80% of the money being provided by state and local governments and the balance by the Federal Government. By next spring, it is anticipated that this rate of expenditure will increase to about $13.5 billion, an increase of $1.5 billion or about 12%.

Another expansive element of uncertain but not inconsequential proportions is provided by the continuing economic boom in most of Europe. In all of its ramifications, this is a subject of scarcely less than cosmic magnitude, and over the next decade, the effects may be not much less far reaching. The immediate effect, however, is likely to be increased demand for American exports from the private sector of our economy, and hence at least an offset against a decline in exports generated by foreign aid from government monies.

In most catalogs of the developments likely to shape the course of business in the period immediately ahead, judgments about what is likely to happen to business inventories play a leading if not the leading role. There is good reason for this, too, because the ups and downs of business inventories in this postwar period have accounted, in major degree, for such ups and downs of business in general as there have been. By far, the larger part of the business recession of 1953-54 could be accounted for by the contraction of business inventories, and the upsurge of business this year, has, in turn been speeded by the addition of about $3 billion to business inventories since the beginning of 1955.

From all I can tell—and the tardiness, as well as the spottiness of the relevant figures, badly limits what you can tell—the accumulation of business inventories in recent months has not made them lopsided on the high side. I doubt, however, if continued accumulation is going to provide any very decisive expansive economic force in the months ahead. Hence, in my calculations of what lies ahead for business over the next year or so, inventories have a relatively neutral role.

I realize that, in terms of the magnitudes involved, I haven't arrayed a particularly impressive list of segments of our economy which I expect to be expanding in the months ahead. In terms of basic economic significance, my catalog, of course, is more impressive. In my office we have a sort of watchword or slogan, "As goes capital investment, so goes prosperity." The slogan has never let us down yet, and I don't expect it will in the months ahead when I expect that capital investment by business will be expanding.

However, an optimistic view of the short-range business outlook is not contingent on the discovery of a lot of areas of the economy where great expansion is to be anticipated in the months ahead. The reason is that, except for agriculture, which as a whole continues to sag, there is very little of the rest of the economy which is not still notably buoyant.

Auto Production

Take the amazing case of automobile production. Since passenger car production hit the rate of eight million a year, early this year, the standard reaction has been "It simply cannot last." But, with new models going into production, it is lasting. And in the interim, the automobile industry has somehow managed to unload what not very long ago looked like a very cumbersome inventory of new cars. I would be inclined to think it was done with mirrors, if the traffic jams, where I spend most of my time on the road, were not so abundantly sprinkled with gaudily colored new models.

The provision of housing, which has been one of the dynamic forces in creating the boom, has slowed up a bit from the terrific pace it was maintaining last spring. At least that is the story told by the statistics of housing starts, by which, perversely enough, activity in housing construction is commonly measured. Finishes would seem a much more meaningful figure. At any rate, the annual rate of housing starts is now just above 1.2 million, where last spring it was about 1.4 million. Some competent authorities in this field have expressed fears that restrictions on credit for housing, which have recently been imposed, will result in a further decline in the rate of housing starts.

However, the authorities in this field, which I am following at this time—one must pick and choose — have convinced me that funds will be available to sustain an annual rate of 1.2 million housing starts—a little below the current rate. If, by chance, this does not prove to be the case, I am confident that any inhibiting credit restrictions will promptly be relaxed.

I have the same general feeling about the more general restraints upon credit expansion imposed by the Federal Reserve authorities. It is my distinct impression that these authorities are "running scared" and are prepared to reverse their course if there is any indication that their restrictions are taking any more than the hectic flush off of the boom.

It may be argued, of course, that it is not possible to undo the effects of credit contraction with any degree of dispatch by relaxing it. The standard analogy is that you can pull a string but cannot push it. I would contend, however, that there really hasn't been any rugged tugging. There has simply been some tensing, the effects of which can be rather promptly eliminated by relieving it.

Consumer Credit

In the field of consumer credit, of course, there has been no formal restraint at all, unless that provided by exhortation to be temperate in extending it could be so classified. Whether, as a result, consumer credit has been extended to a point where the more or less inevitable process of repayment will put a crimp in the sale of consumer durable goods is a subject of current controversy. The $4 billion by which consumer credit has been expanded this year—to a total of $34 billion—is certainly an awe-inspiring figure. It only becomes less so when viewed against the total of $185 billion of retail sales expected this year.

If consumer credit repayments were being made by people with fixed income, I could see where they might at least damp down retail sales in the months ahead. But the fact is that they are being made by a group of people for whom wage increases, among others, are providing a very substantially increased volume of income. It is a plausible guess that increases in salaries and wages will add as much as $14 billion to the total of disposable income in the United States this year (i.e. the total of individual income after taxes).

With their income so expanded, I think consumer credit repayments can be handled without imposing any important drag on retail trade. At the same time, I don't believe that expansion of consumer credit (or expansion of consumer income for that matter) can be expected to be the same buoyant force in expanding retail sales as it has been thus far this year. That is one of the major reasons why I expect the increase in retail sales to be relatively modest over the months ahead, and hence, did not list it as one of the major expansionary forces.

If there were no other reason to anticipate that the boom would proceed at a more subdued rate over the next year than it has in the past, it would be provided by the physical facts involved. At the last counting, or sampling—in September — there were only about 2.1 million unemployed. That scrapes the bottom of the barrel so far as people who can be given jobs is concerned. And it puts a block in the way of a continued rate of expansion which has boosted our Gross National Product from about $367 billion a year ago to about $395 billion today: and no part of that increase of $28 billion is accounted for by price increases. Over the year we've had an increase of 8% in the physical volume of economic activity, an increase without precedent either in magnitude or percentage in the peacetime history of our country.

GNP at $400 Billion

As I have indicated, I expect the boom to continue and that our Gross National Product will pass $400 billion between now and next 4th of July. (One might as well be hung for a sheep as a lamb in the forecasting business.) But, I do not believe that it will be very far above $400 billion at that time.

Indeed, one of the weaknesses in the business outlook, which might prove of some consequence, is that the inevitable slowing of the pace of the boom simply because there isn't what it takes physically to maintain the pace, will be construed as a business reversal. I do not expect, however, that such jitters as may emanate from this source will upset the validation of my expectation of a continued, although more sedate, expansion of the economy between now and mid-year 1956.

If my projection of the general course of business to mid-1956 is approximately correct—needless—to say, I am sure it is—and the Federal expenditures are not stepped up, the Federal Treasury will wind up its fiscal year with a substantial surplus (perhaps as much as $2 billion) in the Federal Cash Budget account. I have recently heard it contended that the President's illness will rather promptly result in higher defense expenditures because there will be no one with his military prestige to hold the urge, of the generals and admirals to spend money, in check. I recognize the point clearly enough, but would not expect any such development in the immediate future.

With the wherewithal for a substantial tax cut (in the form of a cash budget surplus), the Federal Government may have about all that it takes to sustain the business boom right through 1956 and on into 1957. I don't think it would be very hard to make a plausible case to that effect, particularly since there would be broad leeway in manufacturing the relevant data.

But for the purpose of business planning, I think it wiser to envisage the possibility that there will be a little let-up in the expansion of business toward the latter part of next year. In support of such an expectation, one can cite a variety of quite specific possibilities. One which should, no doubt, be classified as a probability, is that there will be a magnificently churned up political atmosphere. Another, is that the automobile people will finally get somewhere near on the beam in forecasting automobile production and sales, and that their forecast of a drop of about a million in the production of passenger cars in 1956 will be validated, and thus retire one of the major bellwethers of the boom.

A Breather Due

As I see it, however, the most compelling reason for expecting some business letdown along next year is that the economy will be about due for a breather after having maintained a terrific pace for a couple of years. I don't know the economic formulation of the proposition that you can't run a hundred yard dash indefinitely, but I suspect it will apply next year. Our economy will operate at just about capacity, in terms of employment, so it cannot keep soaring. Under such circumstances, I think it prudent to anticipate the possibility of a little sagging.

But, if there is a little sagging, I am thoroughly confident that it will be transitory in character, and that the forces making for expansion and continuation of a very high level of prosperity will soon re-assert themselves. Unless this discussion is to shift gears and becomes a discussion of the long-range business outlook, I must ask you to take my word for this, but I am sure you won't go wrong if you do.

It seems to me that the time has clearly come to make our basic assumption that the American

economy is going to work well rather than the reverse. It is my observation that many, and I sometimes suspect most Americans, proceed on the assumption that our economy cannot be expected to work well for any great length of time. A large part of the explanation for this skittish attitude seems to lie in the terrible shock produced by the great depression of the 30's. Some more of it, I think, can be accounted for by the preachments of those who really don't want the economy to work well.

Let me hasten to add that I am not suggesting that we approach the economic outlook with a Pollyanna attitude. In an economy with as many dynamic forces going in as many strange and wonderful directions as they go in our economy, there are always fascinating possibilities of mishap, and it is a part of the prudent good sense to keep on the lookout for them. But, I think that not only the record of the economy for the past decade, as well as the new constructive forces shaping it, warrant the assumption that, by and large, things will go well over the longer pull rather than the reverse. At any rate, it is my faith that those business firms which make the cheerful assumption will end up a decade hence with records to justify their good cheer. I am equally confident that for the year ahead, a cheerful assumption about the general course of business, will be validated by events.

Continued from page 14

Trends in Mortgage Financing

every young couple today wants a higher standard of living than their parents and they will work in order that they can buy.

Two-thirds of all the dwelling units in the United States are over 20 years old and half of all dwelling units are over 30 years old! On the average, the age-distribution of our housing confronts us with a tremendous future market for replacement, or renovation, or both. This potential market won't materialize overnight. But for the long term, it gives us a tremendous backlog of consumer demand. It should be counted as one of the most important of the many sustaining forces that will keep our economy a dynamic and growing one in the years to come.

When I said a while back that business was never better prepared than it is today to take advantage of forthcoming opportunities, I was thinking not only of American technology and labor skills and capital resources. I was thinking, in addition, of occupational and professional skills. This is the human element in the picture, and to me it is a tremendously important one.

There is no question as to the increasingly significant role of the skilled specialist in the light of the growing interdependence of our economic processes. Professional competence, in whatever field, becomes more and more important to modern business.

You appraisers are part of this movement and it is your great opportunity. We, for example, look increasingly to your expert knowledge, your skill, your professional training to help us maintain a sound investment operation.

Summary

In closing, may I summarize briefly these informal comments.

First. During the past decade, life insurance companies contributed an abnormal volume of funds to the financing of postwar construction. Although there will be some tapering off, there is every reason to expect a continuation of mortgage investment on a scale that will support adequate housing and a healthy growth of the economy.

My second point is this. It is encouraging to note that there is increased understanding and cooperation between the government and the housing and mortgage lending industry. Greater reliance is being placed on competition in capital markets as an impersonal mechanism for allocating resources and regulating business activity. This bodes well for the productivity and stability of our economic system.

Third. The broad prospect before this country is, to me, tremendously stirring. There are many reasons for expecting vigorous economic growth and progress in the decades and generations ahead. So I say, "What a wonderful time to be living in!"

And finally, I am confident about our contributions to the future development because I know that the life insurance companies can look increasingly to professional people such as you for real assistance in our investment operations. We need your help to do the kind of quality job we want to do. We can't do that job on a truly national scale, or do it as well as we'd like, all by ourselves. It is a source of great satisfaction to know that we can count on **you**—as a part of our management team.

Sutro Bros. Exhibits at Women's Exposition

Sutro Bros. & Co., members of the New York Stock Exchange, are holding educational investment exhibit at the Women's International Exposition at the 71st Regiment Armory from Nov. 7 through Nov. 13.

The exhibit, the firm states, includes a short technicolor movie describing functions of the New York Stock Exchange and an actual demonstration of the operation of a brokerage house. Members of the firm will be available to answer questions on investing.

On Sunday, Nov. 13, at 2:30 p.m., partners of Sutro Bros. will participate in a panel discussion, open to the public, on the "Common Sense Approach to Investment in the Stock Market."

B. C. Morton Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Robert Brown is now with B. C. Morton & Co., 131 State Street.

With Palmer, Pollacchi

(Special to The Financial Chronicle)

BOSTON, Mass. — Donald F. McGinnis has joined the staff of Palmer, Pollacchi & Co., 84 State Street.

With R. F. Campeau

(Special to The Financial Chronicle)

DETROIT, Mich.—Marcel Toussaint has become affiliated with R. F. Campeau Company, Penobscot Building.

Joins Carr Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — Richard D. Smith has joined the staff of Carr & Company, Penobscot Building, members of the Detroit Stock Exchange. Mr. Smith was formerly with Smith, Hague, Noble & Co.

Walter Wade Adds

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich.—Boyd W. Kuieck has been added to the staff of Walter J. Wade, Inc., Michigan Trust Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The selling pressure still appears to be lessening in the intermediate and longer-term government obligations. It is reported that owners of these securities have in some instances withdrawn them from the market for the time being at least. This does not, however, mean that tax switches are not still being made among these maturities, because swaps are being made throughout the entire list and the trend of these exchanges is more and more toward the extending of maturities.

The improved tone in the government market has in some measure coincided with the uncertain action in the equity market. With the stock market now taking on what is being termed a new lease on life, there seems to be some concern as to what will happen to the government market.

Short-term money is still available and these issues continue to be well taken, even though some of these securities are being switched into the intermediate and long-term obligations.

Short and Intermediate Sectors Strong

In spite of the tightness in the money market, the price action of government securities is still favorable. The near-term maturities are being bought by investors (outside of the commercial banking system) that must have liquid assets. It is evident, however, that this sector of the Treasury market will continue to be very sensitive to whatever tightness that might develop. On the other hand, if there should be any lessening of the pressure, the short-term government issues would almost immediately reflect this, because of the new demand which would be around for these obligations.

The betterment which has been in evidence in the long government market has also had a compensating effect upon the intermediate-term treasury issues, with reports that some new money has come into these securities. Those obligations with set maturities seem to have been the favored ones, although the 1959/62 issues have not been without buyers.

According to advices, the selling which has been going on in the middle-term Government obligations has tapered off. This is taken to mean that tax switches which have been going on in certain of these issues have slowed down somewhat.

The 2½% "Discount" Bonds Get Big Play

The more distant Government obligations continue to move into strong hands, with the public pension funds reportedly the principal buyers of these issues. However, it is also evident that some of the smaller private institutional investors have been making commitments in the longer-term bonds in not too sizable amounts. According to reports, the discount issues, that is the 2½% bonds, continue to be the favorites as far as most of the buyers of the longer governments are concerned. As against this, there appears to be no lack of takers for the 3s of 1955 when they are available in size, because this bond still has a very good following among the institutions that have been building positions in this security.

It is reported that some fair-sized trades have been made out of the "Museum Piece," the 3¼s of 1978/83, into the 2½s of 1964/69 and the 2½s of 1967/72. The after tax yield of the 2½s is conducive to such a switch, according to those that have been going out of the 3¼s into the 2½s. Also, the fact that the 2½s can be bought at a fairly sizable discount is another reason given for the making of this swap.

The feeling seems to be as strong as ever that the long-term Government obligations will continue to give a good performance market-wise and that set-backs in prices should be looked upon as buying opportunities. It is reported that in some instances the positions, which were reduced by traders as quotations for the more distant Treasury bonds advanced, have not only been reestablished but have been added to in certain cases.

Mortgage Money Demand Remains Heavy

It is reported that some institutional holders of the non-market 2¾% bonds have converted this issue into the marketable notes which have been, or will be sold, in order to get funds which will be used mainly for private placements or mortgages. Despite the reports about a slowing down in the building business, it is evident that the demand for mortgage money is still very sizable with many institutional investors.

Mr. Alexander's Views on Monetary Policy

It is quite evident that the financial district paid considerable attention to the statements last week by Mr. Henry Alexander about the money market and the trend of interest rates. Mr. Alexander, Chairman of J. P. Morgan & Co., Inc., and a member of the Federal Advisory Council which advises the Federal Reserve Board, said that the monetary authorities should be thinking in terms of somewhat less restraint. He said there is a difference between tight money and no money, and for the moment money is dear enough and tight enough. [*See cover page for full text of Mr. Alexander's address.—Ed.*]

White, Weld & Co. Opens Zurich Office

White, Weld & Co. of New York, has been granted a charter to operate in the Canton of Zurich as an underwriter and securities dealer through approval of the members of the Zurich Stock Exchange.

The permission to deal in securities in this leading European financial center was facilitated by the formation by White, Weld & Co., of a limited Swiss company, with a capitalization of 500,000 Swiss francs. All of the stock is beneficially owned by White, Weld & Co., although the directors and staff will be Swiss. The costs and operations will be covered by the Swiss company.

Although White, Weld & Co. already has offices in Amsterdam and London, its European business is to be concentrated in Zurich, which is not hampered by the restrictions on capital exchanges and transfers or exchange operations as are those in Holland and Britain. More American common stocks, it is reported, are held in Switzerland than in any other European country, including Britain.

The new subsidiary, White, Weld & Co. A. G. Zurich is designed to operate all over Europe and its activities to be confined entirely to transactions with brokers, bankers and financial institutions. The company, it says, will focus its efforts on placing new issues of securities.

With Hudson White & Co.

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich.—Donald J. McIntyre has become affiliated with Hudson White & Company, Michigan Trust Building, members of the Detroit and Midwest Stock Exchanges.

With Slayton & Co.

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Frank Halama, Jr. is now connected with Slayton & Company, Inc., 408 Olive Street.

Mann, Bayer & Diamand

Effective Dec. 1 the New York Stock Exchange firm of Mann, Bayer & Diamand will be formed with offices at 575 Madison Avenue, New York City. Partners will be William B. Mann, Seymour Bayer, Ralph A. Diamand and James M. Leopold, member of the Exchange.

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Steel Profits on the Uptrend

sion today—the high cost of adding a single ton of new capacity.

The book value today of a ton of presently-existing steel capacity is about $60. Yet, to build another ton of annual steelmaking capacity today from the ground up would cost at least $300. And there are some who estimate the cost at as much as $400.

It is obvious that depreciation charges based on a $60-a-ton value are certainly not going to build new capacity costing $350 a ton. They won't. Huge sums of new money are required. We can borrow those huge sums only if our present earnings structure justifies it.

We have estimated that at today's high construction costs, a completely integrated steel plant built from the grass roots, operating at full capacity on today's prices for finished steel, with full allowance for lower production costs resulting from the most modern equipment and using normal depreciation rates, could show no more than 1 or 2% on the necessary investment. And this assumes that raw materials are available at today's costs without the need for any investment in ore or coal mines, etc.

In our most recently announced expansion program we can still make liberal use of existing facilities.

Top pressure blowing and improved ores have increased production in many of our blast furnaces, giving us more iron than we had ever been able to produce before.

As a result of adding on here and boosting steel production there, we will be able to add another 1,600,000 tons of steel capacity a year at a cost of about $80 a ton!

You may very logically ask now, if it is as simple as that, what's the problem. Why not move a furnace wall back another three or four feet every time you need more steel?

Steelmaking, unfortunately, isn't as simple as that. In the first place there are physical limitations. Many plants are so constructed that there just isn't room available to make a small furnace big, or add one more furnace at the end of a string you presently have. Our Buffalo plant, for example, is so tightly cramped that it is virtually impossible to squeeze another ton of steel out of existing facilities by any building-on or stretching-out you can think of.

The current program on which construction has already started is just about the last time that we shall ever be able to get new capacity so cheaply.

A Complex Business

Steelmaking, too, is a very complex business. It starts with the mining of iron ore and coal and limestone in fields many miles in different directions from the plants. It requires ore boats and freight cars. When the steel itself is finally made, it must be heated and rolled and heated again and rolled again. It must be pickled and it must be annealed. It must be tempered and it must be trimmed. It must be lifted here and moved there within the plant. It must be shipped by truck or carried by train.

Everyone of these operations is affected by expansion. They are all synchronized—all in balance. Change one factor and you upset another.

Would the profit story be merely academic if we could make out with present production facilities?

The American people themselves have given the answer to that. The birth rate jumped sharply in the last decade. New schools are becoming overcrowded almost as fast as we build them. More people want new automobiles, and many who have one want two. My own home State of Ohio no sooner finished building a modern, new high-speed turnpike than it began laying out a route for a second. Illinois and virtually every other State in the Union is being pressed for more and better highways.

Then there are hospitals and office buildings which must be built. There is unsatisfied demand for more freight cars. The list is legion.

In another five years, the babies of the '40s will be the young married couples of the '60s. With new family formations, the cycle starts all over again.

On top of that, steel users have become such satisfied customers that each year individual consumption grows larger than the year before.

Can we get along with our present capacity? The answer is obviously no.

The steel industry must expand. There can be no doubt that the industry recognizes this situation and is meeting it.

Nevertheless, the economics of the matter present a grave problem. Sixty-dollar facilities are growing old and wearing out in a $350-a-ton market. In other words, depreciation charges alone would buy only one new open hearth when six wear out.

Add to this the problem of boosting steel capacity to 200 million tons by 1980, the estimated amount required to meet demand only a quarter century hence, and you see the fantastic financing problem which confronts the industry.

To replace old capacity and to build new then, the industry must sharply increase the amounts which may be charged off to depreciation. It must also raise huge amounts of new capital to finance a 65-million-ton expansion over the next 25 years.

The nub of the matter boils down to one thing—profits!

The steel industry must have profits sufficient to provide the investor with a fair return on his investment. It must have profits large enough to pay this fair return and still have enough left over to help finance this expansion program.

Nobody is going to give the steel industry new capacity. It is going to have to go out in the market place and buy it. That is the only way we would have it.

But to buy this new capacity, we are going to have to spend more money than we have ever spent for expansion before. We are going to have to borrow large sums and attract more equity capital.

That will be possible only with an earnings base as financially attractive as that of any other major industry. The day has passed when steel's position as a profits-stepchild can be shrugged off as an economic oddity.

Steel is a basic industry for which we have to get the raw materials from the ground. This makes it necessary for us to plan far into the future for these supplies and spend billions of dollars before any benefit can be derived. Without steel, our nation, or the world, could not exist.

It is a matter of record that the steel industry of this country has risen to the occasion in every steel emergency in the past. It willingly accepts continuing responsibility for service to the nation.

Right now it is marshalling its forces to meet a new emergency, a challenge of peacetime growth with prosperity such as the world has never seen. It will meet that challenge with an expanded industry built on the labor, the initiative, the imagination and the investment of hundreds of thousands of Americans working together under our American enterprise system.

Gerber Sells Conv. Pfd. of Metallurgical Resources at $2 a Sh.

A group headed by M. S. Gerber, Inc., of New York City, earlier this month offered 500,000 shares of Metallurgical Resources, Inc., 6% non-cumulative convertible preferred stock at a price of $2 per share. It has been completed.

The company plans to use the proceeds for the offering for construction, research and development, and for working capital.

The shares being offered are convertible into shares of common stock at the rate of one share of common for each share of preferred until Aug. 31, 1957; thereafter at the rate of ⅔ of a share of common for each share of preferred until Aug. 31, 1959; and thereafter at the rate of ½ share of common for each share of preferred.

Metallurgical Resources, Inc. has acquired the rights and title to certain new improvements in a process for treating complex ores and intends to build a pilot plant in either New York or Philadelphia for the processing of 10 tons of cobalt-copper concentrates daily. If the results of the pilot plant operations indicate that the process is technically and commercially feasible and profitable, and if an adequate source of supply of concentrates is available to the corporation, the company intends to construct units capable of treating 50 tons of concentrates daily or to acquire an interest in existing plants.

Peirsol Offers Stock Of Paddock of Calif.

T. R. Piersol & Co., Beverly Hills, Calif., is offering an issue of 60,000 shares of common stock (par $1) of Paddock of California at $5 per share on a best-efforts basis.

Paddock intends to use $100,000 of the net proceeds to liquidate a bank loan in that amount made to one of its subsidiaries, and to add the balance of the proceeds to its working capital in the form of cash, increased inventories and other current assets.

Giving effect to this financing, there will be outstanding 262,543 shares out of an authorized issue of 500,000 shares.

Paddock of California is the parent of a group of six subsidiary companies (all incorporated in California) which, with the company, represent an organization which has been engaged for more than 35 years in the design and installation of swimming pools for both private and public use. From time to time its activities have been expanded and at present also include the manufacture and sale of swimming pool equipment, accessories, chemicals and supplies, and the servicing of the pools and equipment.

The executive offices of the company are located at 8400 Santa Monica Boulevard, Los Angeles, California.

The company which was incorporated under the laws of the State of California in 1941 has six subsidiaries: Paddock Engineering Co., Paddock Pool Equipment Co., Marlin Pool Equipment Co., Cinderella Glass Pool Co., Paddock Chemical Co. and Paddock Pools, Inc. These companies were affiliated with the company through common share ownership until October of 1955, when the company acquired all of the outstanding stock of the affiliates.

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The State of Trade and Industry

scheduling a week ago, "Ward's" stated. However, the corporation still garnered a substantial 17.1% share of industry car output. Ford Motor Co.'s bite was 29.1%, with 50.9% going to General Motors Corp. Remaining producers, just emerging from model changeover, garnered 2.9%.

The weekly publication totaled 517,696 car and 96,091 truck completions in the United States for October compared with 461,337 and 87,578 in September.

November goals are a record 751,300 cars and 122,000 trucks in the United States compared with 508,466 and 90,388 in 1954.

In Canada to date 1955 car output is leading 1954 by 32.8%, with the 331,398 total already ahead of any complete year except 1953's 366,535.

Steel Output Set at 98.3% of Capacity This Week

A tight steel supply right through the first half of 1956 appears increasingly certain, says "Steel" magazine the current week.

It said heavy carry-over tonnage, indicated for the year-end in all the major products, would take up four to six weeks of production, at least. This means considerable tonnage will be shoved into second quarter scheduling.

Steel, copper and aluminum users sum up the inventory and delivery situation as a "sad picture" in replying to "Steel's" regular quarterly survey. One-third of the users think deliveries and inventories will get worse in the coming three months, while a few hope to build up their stocks, and most, hope to hold their own.

The causes of pessimism spring from longer delivery time and inability to place orders in sufficient quantities and in proportion to present use. Aggravating the supply situation is the fact that some steel users who generally have declines this time of year report business is holding up better than usual.

Three-fourths of steel users report delivery problems on one or more products. The greatest demand is for plates, structural shapes, sheets and carbon bars. Copper and alloys are harder to get. Aluminum remains tight, but no worse than three months ago, concludes this trade weekly.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity of the entire industry will be at an average of 98.3% of capacity for the week beginning Nov. 7, 1955, equivalent to 2,372,000 tons of ingot and steel for castings as compared with 99.4% of capacity and 2,400,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1955 is based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 93.5% and production 2,330,000 tons. A year ago the actual weekly production was placed at 1,874,000 tons or 78.6%. The operating rate is not comparable because capacity was lower than capacity in 1955. The percentage figures for 1954 are based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

Electric Output Climbed Mildly Higher the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 5, 1955, was estimated at 10,853,000 kwh., according to the Edison Electric Institute.

This week's output advanced 194,000,000 kwh. above that of the previous week, when the actual output stood at 10,659,000,000 kwh.; it increased 1,496,000,000 kwh., or 16.0% above the comparable 1954 week and 2,455,000,000 kwh. over the like week in 1953.

Car Loadings Edged Slightly Higher the Past Week

Loadings of revenue freight for the week ended Oct. 29, 1955, increased 897 cars or 0.1% above the preceding week, according to the Association of American Railroads.

Loadings for the week ended Oct. 29, 1955, totaled 835,396 cars, an increase of 99,163 cars, or 13.5% above the corresponding 1954 week, and an increase of 54,553 cars, or 7% above the corresponding week in 1953.

U. S. Car Output Last Week Exceeded 8,000,000th Unit of 1955 Recording a Gain of 44.2% Over 1954

Output in the automotive industry for the latest week, ended Nov. 4, 1955, according to "Ward's Automotive Reports," roared past their 8,000,000th unit of 1955 to score a gain of 44.2% over 1954 and are scheduled to reach the 1950 peak of 8,047,240 by the close of November.

Last week the industry assembled an estimated 174,097 cars, compared with 158,430 (revised) in the previous week. The past week's production total of cars and trucks amounted to 200,482 units, or an increase of 17,901 units above the preceeding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 15,667 cars, while truck output rose by 2,234 vehicles during the week. In the corresponding week last year 93,162 cars and 19,891 trucks were assembled.

Last week the agency reported there were 26,385 trucks made in the United States. This compared with 24,151 in the previous week and 19,891 a year ago.

Canadian output last week was placed at 5,500 cars and 651 trucks. In the previous week Dominion plants built 5,102 cars and 600 trucks, and for the comparable 1954 week, 2,939 cars and 583 trucks.

Business Failures Advanced Mildly In Latest Week

Commercial and industrial failures rose to 237 in the week ended Nov. 3 from 230 in the preceding week, according to Dun & Bradstreet, Inc. For the fourth consecutive week, failures have exceeded the 1954 level. They compared with 204 a year ago and 207 in 1953. Despite this increase, the toll remained 25% below the 318 recorded in the similar week of prewar 1939.

Failures with liabilities of $5,000 or more edged up to 207 from 199 last week and were considerably more numerous than a

year ago when 176 occurred. There was a dip among small failures, with liabilities under $5,000, to 30 from 31 in the previous week, however, they exceeded slightly the 28 in 1954. Sixteen of the businesses failing had liabilities in excess of $100,000 as against 12 a week ago.

Wholesale Food Price Index Extended Its Downward Course the Past Week

The general food price level, as measured by the Dun & Bradstreet wholesale food price index, continued its downward course for the fifth successive week. The index dropped from $6.05 to $6.02 on Nov. 1, to set a new low since the pre-Korea week of June 20, 1950, when it stood at $5.96. The current number at $6.02 reflects a decline of 10.7% from $6.74 on the corresponding date a year ago.

Higher in wholesale cost last week were wheat, corn, oats, cheese, raisins, currants, prunes and hogs. Lower in price were rye, barley, hams, butter, milk, coffee, cocoa, eggs, steers and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Holding to a Narrow Trend Closed the Week Slightly Higher

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved irregularly within a narrow range last week and closed at 274.77 on Nov. 1. This was up slightly from 274.37 a week earlier, and compared with 277.00 on the corresponding date last year.

Leading grain markets strengthened perceptibly the past week following recent declines.

Corn was irregular but prices trended higher under buying stimulated by reports from Washington that the sale of Government corn would be temporarily halted during the harvest run.

A large run of new corn early in the week unsettled prices in cash markets for a few days. Wheat was steady to firmer influenced largely by improved mill demand, with some support based on export sales to Formosa and the belief Yugoslavia would be in the market for large quantities of the bread grain in the immediate future. Oats prices were quite steady with country offerings light and market receipts exceptionally small. Trading in grain and soybean futures on the Chicago Board of Trade increased slightly with daily average sales totalling 48,900,000 bushels for the week, against 47,200,000 last week, and 52,300,000 a year ago.

Reflecting the firmer tone in wheat, leading flour millers advanced their prices for Spring and Winter wheat flours slightly but most bakers and jobbers showed little interest inasmuch as they are covered for some time ahead. Shipping directions on most flours continued at a satisfactory rate. Cocoa prices fluctuated in a narrow range in dull trading, reflecting heavy stocks afloat for the United States, and an absence of manufacturer demand. Warehouse stocks of cocoa were reported at 238,329 bags, practically unchanged from a week ago, and comparing with 92,936 bags last year.

Spot coffee prices were easier last week and resulted in new concessions in roasted coffees at the wholesale level.

Weakness was influenced by slack roaster demand and increased offerings of new crop coffee from producing countries.

Lard prices were mostly steady to firm, buoyed by the recent announcement of the Government pork purchasing program. Aided by smaller-than-expected market receipts, live hog values showed some recovery from the 13-year lows established last week.

Cotton prices the past week continued the moderate advance of the previous period.

Strengthening factors included mill price-fixing and short covering influenced by the steady drop in the certified stock, the heavy movement of the staple into the Government loan, and the firmer tone noted in some print cloth constructions.

The volume of sales reported in the 14 markets increased to 337,300 bales, from 284,100 in the previous week and were the largest for any week this season. CCC loan entries for the week ended Oct. 21 totalled 337,500 bales, bringing the total for the season through that date to 1,106,200 bales. Cotton ginnings to mid-October were slightly more than half of this season's indicated crop.

Trade Volume Registered Moderate Gains the Past Week

Retailers reported a moderate increase in consumer purchasing last week, with principal gains in Winter merchandise. The level of retail trade was moderately above that of the similar period last year.

Although volume in 1955 models was sustained at a high level, automobile dealers anticipate an upsurge in sales with the introduction of the 1956 models.

Increased consumer interest was reported in toys and juvenile furniture.

The dollar volume of retail trade in the period ended on Wednesday of last week was 3 to 7% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1954 levels by the following percentages: New England, East, and Northwest +2 to +6; South and Southwest +3 to +7; Middle West and Pacific Coast +4 to +8%.

Wholesale orders expanded slightly during the week as retailers sought to increase their stocks in preparation for Christmas sales promotions. The total dollar volume was slightly above the comparable 1954 week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Oct. 29, 1955, remained unchanged from that of the preceding week, Oct. 22, 1955, at 8%. For the four weeks ended Oct. 29, 1955, an increase of 7% was reported. For the period Jan. 1, 1955 to Oct. 29, 1955, a gain of 7% was registered above that of 1954.

Retail trade volume in New York City the past week declined sharply following a good showing in the previous period. Compared with the like week a year ago, losses ranged up to 10%. Inclement weather and a later Election Day were given as reasons for the drop in sales.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Oct. 29, 1955, rose 7% above that of the like period of last year. In the preceding week, Oct. 22, 1955, an increase of 4% was recorded. For the four weeks ending Oct. 29, 1955, an increase of 3% occurred. For the period Jan. 1, 1955 to Oct. 29, 1955, the index recorded a rise of 2% from that of the corresponding period of 1954.

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The Railroads Must Carry On!

ing the past 10 years, but at the present level of higher average costs, the railroads will have to find for such purposes about $365,000,000 a year.

Locomotive requirements for the next five years will be less than they have been for the past 10, but just the same it appears that a minimum of $200,000,000 a year will have to be found for capital expenditures on motive power.

Passenger train cars and other rolling stock will call for still another $110,000,000 a year, approximately, making the total capital expenditures to be anticipated for the next five years average about $1,200,000,000—as a minimum.

Where is the money to come from?

Again, the first recourse will be to depreciation and retirement charges. These charges now are running at the rate of about $555,000,000 a year and may be expected to average some $570,000,000 a year for the next five years. Even so, that is less than half enough to cover minimum expenditures.

So we shall have to turn to an increase in equipment obligations. By the end of 1955, the amount of equipment obligations outstanding will approximate $2,525,000,000, with annual instalment payments of about $350,000,000. That amount is now within $35,000,000 of the total annual depreciation charges on equipment. Prime investment through equipment trust obligations are, we must bear in mind that the total of over two and a half billion outstanding is over three times as much as equipment obligations were as late as 1945. Equipment trust obligations and conditional sales contracts in the railroad business are analogous to the purchase of an automobile or a house on the instalment plan—simply a matter of paying for the article by instalments which will be completed within the useful life of the article. Equipment maturities range from about five years to a maximum of 15 years, so one incurring the obligation must look to the source of the funds with which he expects to make payment. In the case of the railroads, with the excellent history of repayment of equipment obligations, I am assuming that a still further sizable increase in equipment debt averaging $100,000,000 per year for the next five years, could be made. That would mean $500,000,000 on top of the two and a half billion the industry now has outstanding. It is a big amount and would make the equipment debt by 1960 approximately four times what it was 15 years before. But let's put it down—$100,000,000 more each year of the next five years.

A third source of funds would be the working capital of the railroads themselves. The amount of net working capital stood on June 30, 1955, at $869,000,000. This is only a little more than half what it was at the end of 1945, but still it is likely that as much as $50,000,000 a year could be withdrawn for productive capital improvement during the next five years.

Now let's add up a little, as follows:

Source of Funds	Annual Amt.
Depreciation and retirement charges	$570,000,000
Increase in outstanding equip. debt	100,000,000
Withdrawals from working capital	50,000,000
Grand Total	$720,000,000

But that still is short of meeting minimum needs for annual capital expenditures — short by some $480,000,000 a year. Some of it can come from miscellaneous sources but they do not offer possibilities for any greater contribution than the average of the past 10 years. The greater part, by far, of the $480,000,000 a year needed will have to come out of the net income of the railroads.

In the 10 years 1946 through 1955, net income of Class I railroads averaged $660,000,000, of which nearly half was required to help meet capital improvement outlays. In the next five years, the demand for capital funds from this source will be about $140,000,000 a year heavier than in the past 10 years. To meet such an increase, the railroads will need an increase of 21% in net income. Failing to earn such an increase, the minimum capital improvement program for the next five years —including the program for increasing the supply of freight cars —will have to be reduced.

During the 10 years since the end of World War II the rate of return on investment of the railroads has averaged approximately 3.68%. To insure the availability of funds for the capital improvement program which I have outlined, and for other expenditures which undoubtedly will have to be made, the rate of return on investment should be as much as 5%. And to finance the larger scale of improvements which would give you—and the nation—the benefit of the super railroads of the future, the rate of return on investment should be at least 6%. That would seem to be a modest enough figure but let's leave that out of consideration for a while and think about the 5% rate of return which would provide funds to carry forward the program of improvements outlined that all agree is necessary.

To reach such a rate of return the railroads must, of course, have rates which cover costs, both now and in the future, but they must also have volume traffic. The effect of even relatively small changes in volume upon revenues, and the still greater effect upon net income, is truly striking. For example, in 1954 the volume of traffic declined by less than 10% below 1953 but the net income of the carriers went down 25%. In 1955 volume increased over the previous year by an estimated 9% or 10% but it is expected that net income will gain by between 20% and 25%—a fact which explains why railroads are concerned with the volume of their traffic as well as the rates at which it is to be hauled.

Greater Freedom in Rate Making

Total volume of traffic moving in the United States has increased since the close of the second World War but railroads have not shared fully in the increase. That is one reason why the railroads are so keenly interested in the principal recommendation of the Advisory Committee on Transport Policy and Organization set up by President Eisenhower last year. That Committee recommended, you will recall, that each of the various types of transportation be allowed greater freedom to make its rates competitively, and that such competitive rates should not be disallowed by the Interstate Commerce Commission on the ground that they might have an adverse effect upon the traffic of some other form of transportation.

This greater freedom in rate making is to be safeguarded, you will also recall, by requirements that there can be no cut-throat below-cost rates, and that all rates shall be subject to the Commission's continued authority to prevent undue discriminations or preferences as between persons, commodities or communities. But subject to these provisos, the recommendation of the Committee is to the effect that in rate making each transportation form should stand on its own feet, and make rates related to its own costs without being required to maintain rates for the protection of the traffic of some other form of transportation.

The railroad industry believes in such a principle. The industry well knows that under the application of such a rule there would be many movements of commodities, between many points, which other forms of transport would be able to handle. But the railroads believe, also, that there is much traffic which they could handle to the satisfaction of the shippers and at rates reflecting their cost advantages where such advantages exist, which they are not now permitted to handle because of regulatory restrictions.

The railroads do not seek any advantage or any preferential treatment over their competitors. They do seek, however, the right to use the cost advantages inherent in the railroad method of hauling goods and persons in trains of cars on tracks, just as every other form of transportation uses its particular inherent advantages, whatever they might be.

This means that the railroads—and every other form of transportation as well—should have the right to give the user of transportation and the consuming public the benefit of whatever advantages of cost and of service they possess. And to insure that this shall be done, no form of transportation should be required to refrain from giving the public any such benefits because some other form of transportation might not be able to do likewise. In short, the railroads believe that the way to better transportation is through freer competition in rate making between the different forms of carriage. In that way, each type of carrier gets a better chance to do the work which it can do best and at the lowest real cost. Under such conditions, the carriers would benefit by reason of an increased volume of the kinds of traffic which each of them is best fitted to handle.

Turning again specifically to the railroad situation—the railroads believe that the nearly $11 billion which they have spent for improved plant and facilities during the 10 years just past has been well spent. But they know that they need to spend more—at least $1,200,000,000 more, on the average, in each of the next five years. They know that to do this they must have increased earnings. They know that to realize such added earnings there must not only be rates related to present-day costs but also a high volume of traffic, with the efficiency which arises from handling such traffic. To have a sustained high volume of traffic, they know they must meet competition in service and in rates. And that's why they are so strongly for the principle of the Cabinet Committee's recommendation that the judgment of the market place—that is the judgment of you shippers and those whom you represent—should "determine the appropriate use of each form of transportation."

That, the railroads firmly believe, is the way to better transportation.

Group Dividends

The board of directors of Group Securities, Inc., has declared capital gains distributions totaling about $5,000,000 and dividends from net income of more than $1,000,000, both payable Nov. 18 to shareholders of record Nov. 3. Assets of the fund as of the close of business Nov. 2 totaled $96,622,152.

These payments bring the total of capital gains distributions since Group's inception to over $17,500,000 and total dividends from income to more than $42,500,000.

Mutual Funds

By ROBERT R. RICH

Steel to Lead Continued Boom

New production peaks and higher prices can be expected for the steel industry in the first half of 1956, according to W. J. Dacey, member of the policy committee of National Securities & Research Corporation. The corporation manages and sponsors the National Securities Series of Mutual Investment Funds with assets of $250,000,000.

Mr. Dacey, who has just returned from a visit to principal steel centers of the nation, said that "an almost insatiable demand from major consuming industries" is expected to push steel output to "some new weekly peaks" during the next few months.

"More talk about an increase in prices will be heard in coming weeks,'" he added, "and it seems likely that finished steel quotations will command higher levels by the middle of 1956 at the latest."

Meanwhile, "an exceptionally good level of profits" for the large integrated units of the industry and "some further selective gains in dividend payments may be anticipated" 'during the first half of the coming year, Mr. Dacey said.

In estimating that 1955 steel production will hit an all-time record of about 116 million tons, Mr. Dacey concluded:

"The steel industry's own expansion and modernization program, which will result in substantially larger capital expenditures in 1956 than are being recorded in 1955, will give added internal impetus to the demand for steel products during the coming months. While some public financing may develop to provide a portion of the funds needed for this program, a large percentage of the industry's cash requirements will be generated from retained earnings and non-cash charges to income for items such as depreciation, depletion and accelerated amortization."

Fundamental Investor Assets At New Peak of $306 Million

Fundamental Investors, Inc., in its 91st report to shareholders covering operations of the Fund for the quarter ended Sept. 30, 1955, reported net assets at the close of the period, totaling $306,808,534, the largest for any previous reporting date in its history. These assets belonged to the Fund's 65,936 shareholders, a new record number.

Reflecting the decline in securities prices toward the close of the quarter, the Fund's net asset value per share of $15.25 on Sept. 30 was 10 cents per share lower than at the close of the previous quarter. However, net asset value per share increased by $1.76 in the nine months since Dec. 31, 1954.

Dividends for the first three quarters of 1955, including the quarterly income payment of 12½ cents on Sept. 15, totaled 35½ cents per share as compared with 34½ cents for the same period of 1954.

Significant revisions in the Fund's investments during the third quarter included increases in holdings of automotive, hotel, metals, and steel companies, and reductions in holdings of airlines, electrical manufacturing and public utility stocks. Substantial changes were made in the petroleum list, with the Fund placing increased emphasis on shares of companies having important production or marketing facilities outside the United States.

Shareholders were advised that the Fund is adopting a new policy altering the time of declaring and paying capital gain distributions as permitted by present tax regulations. Hereafter, the Fund will declare capital gain distributions, when available, on or about the last day of the Fund's fiscal year, Dec. 31, payable to shareholders of record the same date. Payment of such distributions will be made about 30 days thereafter.

The following table reflects the status of Fundamental Investors, Inc., on Sept. 30, 1955, compared with a report period of nine months previous:

	Sept. 30, '55	Dec. 31, '54
Total net assets	$306,808,534	$256,249,343
Net asset value per share	$15.25	$13.49
Shares outstdg.	20,117,341	18,993,145
Shareholders	65,936	57,198

Investors Mutual Up $184 Million in Quarter; Now $846 Million

Total net assets of Investors Mutual, Inc., largest of four mutual investment funds sponsored and managed by Investors Diversified Services, Inc., rose from $662,055,980 to $846,644,515, an increase of $184,588,535 during the fiscal year ended Sept. 30, 1955, Harold K. Bradford, President of the fund, informed its shareholders in the company's annual report. Of this increase, approximately 58% came from sales of additional shares in the fund and 42% from higher market valuations of the securities held in the fund's portfolio.

Net asset value of shares of Investors Mutual, Inc. climbed from $16.28 per share a year ago to $18.15 per share at the current fiscal year-end.

The number of shareholders grew from 180,000 to 207,000 marking an increase of 27,000 during the year. The number of shares outstanding increased in the same period by 5,965,459 to 46,639,334.

Dividend payments from investment income amounted to 65½ cents per share against 63½ cents per share paid last year. There was a considerably larger distribution of security profits, amounting to 32 cents per share, compared with 20½ cents per share distributed at the 1954 fiscal year-end. Above 65% of all dividends paid were reinvested by shareholders in additional shares of the fund.

In review of investment management operations and progress, Joseph M. Fitzsimmons, President of Investors Diversified Services, Inc., stated:

"As national distributor of the shares of Investors Mutual, we have had a year of record success. Net sales amounted to $106,360,000, an increase of approximately 24% over sales for the previous fiscal year."

The review points out that the total market value of the fund represented by common stock investments increased during the past year from 61.28% on Sept. 30, 1954, to 64.66% on Sept. 30, 1955.

The increased proportion represents increases in the market value of the common stocks held by the fund, the report discloses. Investments for the year as a whole were made in the ratio of approximately 60% in common stocks and 40% in bonds and preferred stocks. The ratio for common stocks was higher than 60% in the first half of the year but lower in the second half. The excess of market value over cost for Mutual's investment holdings at Sept. 30, 1955, was $199,488,834.

Investments in petroleum and in communications, light and power represented 23.26% of the common stocks held in the portfolio.

The report indicates that management continues to be optimistic about the future of American industry. In viewing the outlook, it is stated:

"For the near-term, business continues to improve and gives strong indication of momentum sufficient to carry it well into next year. For the longer-term our economy appears to be basically sound and to have excellent prospects."

Atomic Fund Lists Changes In Portfolio

The Atomic Development Mutual Fund sharply increased its holdings in lithium, thorium, and zirconium in the quarter ending on Sept. 30, 1955. At the same time, it added a mining company which is expected to receive a premium contract from the Canadian Government for uranium concentrates.

The Fund's new portfolio also shows the addition of 5,000 shares of Strategic Materials Corporation which were purchased directly from the company at $10 per share.

This corporation is developing uranium and thorium properties in the Bancroft area of Western Ontario and has a new process for producing ferro manganese.

The new uranium company holding in the Fund's portfolio is a 10,000-share block of Can-Met Explorations, Ltd., which is developing promising properties in the Blind River area.

On Sept. 30, the portfolio also shows that holdings in lithium, thorium, and zirconium companies were 10.6% of assets, compared to 8.8% on June 30. The Fund's holdings of Lithium Corp. of America were increased by 11,500 shares to a total of 37,400 shares.

A 1,900-share increase in Foote Minerals Co., a major lithium producer and manufacturer of zirconium and hafnium, brought Fund holdings in this stock to 31,200 shares. Holdings of Lindsay Chemical Co., a major thorium processor, were increased by 4,600 shares to a total of 31,200 shares.

Newton I. Steers, Jr., President of the Fund, expects both uranium and thorium to become valuable nuclear fuels, with thorium having particular value in reactors operating in the thermal neutron range. He also predicted in a recent address that companies having know-how in the *fission field* would lead in the application of fusion power.

Other new additions to the Fund's portfolio during the three-month period were: *International Minerals and Chemical Corporation* (7,800 shares), producing uranium as a by-product of its Bartow, Fla., phosphate mill. *Ferro Corporation* ($85,000 convertible debentures), holder of a substantial interest in Horizons Titanium Company, active in titanium, thorium, and zirconium. *Perkin-Elmer Corporation* (1,500 shares), manufacturer of optical equipment and other scientific instruments. *Precision Radiation Instruments, Inc.* (9,200 shares), West Coast instrument manufac-

turer. *Robertshaw-Fulton Controls Company* (3,000 shares), manufacturer of instruments and other control equipment. *General Public Utilities Corporation* (1,300 shares), studying the feasibility of a nuclear power reactor for a Philippines subsidiary. *National Research Corporation* (5,000 shares), manufactures equipment for atomic industry and provides consulting engineering service.

Deleted from the portfolio during the quarter were shares of Chimo Gold Mines, Ltd., and Dyno Mines, Ltd., both Canadian uranium mining companies which lack special price contracts for sale of their concentrates. Other portfolio deletions included: Kennecott Copper Company, Katanga Copper Company, Dow Chemical Company, Blockson Chemical Company and Tennessee Corporation.

High Casualties In Nuclear Field

Donald F. Bishop, President of Science & Nuclear Fund, warned investors today that the implications of nuclear science include not only tremendous growth but also a high rate of technical obsolescence accompanied by an industrial casualty list.

The mutual fund executive in his company's first annual report for its fiscal year ended Sept. 30, last, forecast a high rate of obsolescence because of the rapidity and far reaching nature of the changes that impend in industry.

In nuclear fission, Mr. Bishop continued, every branch of science, and correspondingly every phase of industry, possesses a new dimension compounded of unprecedented heat and radiation.

He pointed out that this new dimension has created completely new fields in chemical processing, metallurgy, propulsion, plastics, food preservation, and as a fuel source and priceless precision instrument.

Science & Nuclear Fund reported assets of $713,000 on Sept. 30, 1955, equal to $10.10 a share on 70,633 shares outstanding as compared with initial assets of $111,000, or $10 a share on April 28, last, when the fund began business.

The report shows the fund to be 93% invested with 53.1% of assets in companies active in the development of nuclear science; and 39.9% of assets in companies in the related scientific fields.

Wisconsin Fund, Inc., a mutual fund managed in Milwaukee, has reached over $10,000,000 in net asset value, according to the Sept. 30 quarterly report. This compares with $7,026,699 a year ago. Number of shares outstanding, net asset value per share and number of shareholders were at new highs.

Another Field For Electronics Review States

The potential use of instruments by American industry for control and testing purposes has been overlooked to a large degree because of attention devoted to the entertainment division of the electronics field, according to the monthly publication "Keeping Up," published by Television Shares Management Corp.

"When we realize the extent of the industrial productive facilities of the United States," the review says, "the only conclusion to be reached is that instrumentation has a very long way to go and that product volume should continue to increase even in the face of a moderate decline in the economy."

The analysis says, however, that the steelmaker "views his own finished product with such a critical eye that, of recent years, he had been furnished with supplementary eyes"—electronic mechanical ones that use light, sound, X-Rays, or invisible magnetic fields to peer inside the heavy steel.

"Spectroscopic analysis," it adds, "has given the steel industry a means of analyzing raw materials as well as a quality control measure. This method of analysis makes use of the ability of a prism to split up light into the component parts. When a metal is vaporized, it emits light which the spectroscope breaks up and arranges in order of wave length on a viewing screen or photographic plate.

"A relatively new, non-destructive technique—magnetic testing —trains its sights on a piece of metal to see whether there is any defect there which has disrupted the induced magnetic field. If very fine particles of magnetic iron are introduced into the field, many of them will move into the defect, revealing a dark line.

"Another relatively new instrument is the ultrasonic tester which uses sound waves far above the audible range of the human ear. These extremely high frequency sound waves are directed through the steel by a quartz crystal transmitter. When the wave passes through dense metal, free from cracks and flaws, it shows up on a cathode-ray tube as a straight line; imperfections show up as jagged lines."

Whitehall Fund, Inc. net assets were $6,579,517 at September 30, up from $5,751,543 at the beginning of the year, it was reported by Francis F. Randolph, Chairman of the board and President, who ascribed the larger part of the increase to appreciation in the value of the fund's investments.

Per share asset value was $25.09. This compares with $25.20 at June 30 and $22.80 at the beginning of 1955. It was 19% higher than the $22.14 reported on Sept. 30, 1954 with the adding back of last December's $1.18 distribution from realized net gain on investments.

Mr. Randolph stated that the fund continues in a conservative investment position with its sizable bond and preferred stock holdings providing relative stability of asset values and income. He added that, with investment policy unchanged, holdings remained roughly distributed 50% in fixed income bonds and preferred stocks, and 50% in common stocks.

T. Rowe Price growth stock Fund total net assets increased to $5,642,710 on Sept. 30, 1955, as compared with $3,460,932 one year earlier. Net asset value per share stood at $29.11 on Sept. 30, 1955, a gain from $23.17 on Sept. 30, 1954.

Nation-Wide At New High

Total net assets of Nation-Wide Securities Company, Inc., a balanced mutual fund managed by Calvin Bullock, amounted to $25,565,594 on Sept. 30, 1955, a new high. This compares with $22,055,715 a year earlier.

Net asset value per share was reported at $18.90 compared with $17.24 on Sept. 30, 1954.

In line with the modified formula plan under which the fund operates, substantial amounts of common stock were sold on balance during the latter half of the fiscal year. "Because of the rise in market prices over period," the annual report notes, "the value of the balance of the common stocks held appreciated by approximately the amount of the net sales."

The sharp market decline that began on Sept. 26, "provided an opportunity to reinvest cash reserves built up by sales of stocks at high levels earlier in the year. This realization of cash and high levels gave rise to substantial profits and accounted for the marked increase in the distribution from net securities profits made at year-end," the report states.

Wellington Sales At Monthly Peak

New investments in Wellington Fund shares last month were the largest for October in the history of the fund, topping sales for October, 1954, by a record 34%.

A. J. Wilkins, Vice-President of the Wellington Company, National Distributors of the $470,000,000 Wellington Fund, stated that October sales reached a peak of $6,566,415 compared with $4,902,197 in the like month last year.

For the year to date new investments in Wellington shares totaled $56,723,198, an increase of nearly $6,000,000 over the first 10 months of 1954.

Mr. Wilkins stated that the record October sales of Wellington Fund shares can be taken as another strong indication that "Investor confidence in mutual funds has not been affected by the stock market action during recent weeks. On the contrary, the downs and ups of stock prices appear to have done much to attract investors to mutual fund shares."

Delaware Capital

Shareholders of the $34 million Delaware Fund in special meeting approved a proposal to increase the number of authorized shares from four million to ten million.

The action was brought about by record sales of shares to old and new shareholders, coupled with the recent 100% stock distribution which resulted in issuance of most of the fund's authorized shares.

Shareholders also voted to delete a charter clause requiring Delaware to cancel shares acquired by redemption, since the 1954 Internal Revenue Code makes this operation no longer necessary.

Hudson Fund, Inc. total net assets on Sept. 30 last amounted to $6,284,359, equal to $16.17 per share, compared with $5,708,874, or $14.84 per share, on Dec. 31, 1954, James W. Maitland, President, reported today in the fund's nine-month statement.

The fund's portfolio on Sept. 30 last comprised 72.4% in common stocks, 12.4% in corporate bonds, 6.5% in preferred stocks, and 8.7% in U. S. Treasury Bonds, cash and receivables.

Managed Funds Unhurt by Break

Managed Funds, Inc. shares outstanding increased by 187,512 during the month following the market drop of Sept. 26, Hilton H. Slayton, Managed's President, made known yesterday.

In his announcement of the rise, Mr. Slayton paid tribute to the entire mutual fund industry for the "unshakable faith" displayed by fund shareholders during the crisis.

At the close of business on "Black Monday," shares outstanding of all of Managed Funds' 11 mutual fund offerings totalled 9,820,453. One month later — on Oct. 26 — the total stood at 10,007,965.

According to Mr. Slayton, the second market drop on Oct. 10 failed to stem the rise in Managed Funds' outstanding shares. At the close of business the day after President Eisenhower's brief setback, the total came to 9,932,397 — 111,944 more than on Sept. 26.

Net assets of all Managed Funds at market close on Sept. 26 and Oct. 10 respectively totaled $37,946,782 and $37,514,622. Total net assets on Oct. 26 were $38,549,088 —a rise of well over $1,000,000 from the total of Oct. 10, the day of the second decline.

Delaware Fund set new sales records in October and the first 10 months of 1955, according to W. Linton Nelson, President.

The mutual fund executive reported here today that gross sales of shares last month totaled $1,119,955—largest for any October in the Fund's 17-year history and up 173% over sales of $410,229 in the same month last year. Repurchases of shares, Mr. Nelson said, amounted to $107,385, or only 10% of sales, as compared with $165,977 in October, 1954 — a decrease of 35%.

Gross sales totaling $10,844,123 in the first 10 months of 1955 ran 171% ahead of the $4,000,275 for the corresponding period of 1954 to set a new record.

Delaware's total net assets on October 31, last, amounted to $34,419,416, equal to $10.87 a share on the 3,166,135 shares then outstanding against $21,614,965 or $9.57 a share on the 2,258,658 shares outstanding 12 months earlier, after adjustment for a recent 100% stock distribution.

Axe-Houghton Fund B total net assets were $48,999,276 or $23.76 a share at the end of the fiscal year Monday, Oct. 31, according to preliminary figures made public by the fund management.

This compares with $36,514,052 or $21.10 a share on Oct. 31, 1954, and $28,094,082 or $17.75 a share on Oct. 31, 1953.

The total net asset figure represents a gain of 34.2% over 1954 and 74.4% over 1953.

Personal Progress

The election of Paul A. Just as a director of Hudson Fund, Inc., has been announced by James W. Maitland, President. Mr. Just is Executive Vice-President and a director of Television Shares Management Corporation which sponsors Hudson Fund and Television-Electronics Fund.

THE APPOINTMENT of John D. Newell as Wholesale Representative, with headquarters in Minneapolis, Minn., is announced by Harry L. Sebel, President of Selected Investments Company, national underwriter and distributor of Selected American Shares, $47 million mutual fund.

Mr. Newell will be active in the wholesale distribution of Selected American Shares through registered investment dealers in the states of Minnesota, Iowa, Nebraska, North Dakota, South Dakota and Wisconsin.

After serving as an air force pilot in World War II, Mr. Newell became associated with a certified public accountant, then spent eight years as salesman in the Accounting Machines Division of National Cash Register Company, later becoming a territory manager. Through his accounting work he became interested in the investment business and particularly in mutual funds. This interest led him to the desire to become active in their distribution.

Mr. Newell is married, has four children, and is a graduate of the School of Commerce of the University of Minnesota. He resides at 6434 Warren Ave., South, Edina, Minn.

Distributors Group Appoints Edward Dunn

Edward R. Dunn, previously mutual fund manager of the St. Petersburg, Fla., office of Grimm & Co., investment dealers, has been appointed New England Regional Co-Manager of Distributors Group, Inc., sponsors of the mutual funds of Group Securities, Inc.


Edward R. Dunn

Mr. Dunn was originally a native of Philadelphia. He has had extensive experience in the investment field including many years with The Pennsylvania Company for Banking & Trusts, in Philadelphia. He also served as Sales Manager for Kaiser Aluminum & Chemical Co. in that city.

He will make his headquarters at 50 Congress Street in Boston, where he will work in cooperation with A. R. Stembridge, Resident Vice-President of Distributors Group.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Nov. 13	§98.3	*99.4	96.5	78.
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 13	§2,372,000	*2,400,000	2,330,000	1,874,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 28	6,749,500	6,752,650	6,660,000	[illegible]
Crude runs to stills—daily average (bbls.)	Oct. 28	¶7,476,000	7,477,000	7,462,000	6,897,000
Gasoline output (bbls.)	Oct. 28	27,075,000	[illegible]	[illegible]	[illegible]
Kerosene output (bbls.)	Oct. 28	2,050,000	2,253,000	2,012,000	2,335,00
Distillate fuel oil output (bbls.)	Oct. 28	11,250,000	10,813,000	10,843,000	10,689,000
Residual fuel oil output (bbls.)	Oct. 28	7,811,000	7,717,000	7,430,000	7,305,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 28	151,607,000	151,536,000	151,266,000	149,789,000
Kerosene (bbls.) at	Oct. 28	36,436,000	36,844,000	36,413,000	38,228,000
Distillate fuel oil (bbls.) at	Oct. 28	151,566,000	149,886,000	143,722,000	137,055,000
Residual fuel oil (bbls.) at	Oct. 28	46,299,000	46,641,000	46,754,000	56,392,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 29	835,396	834,499	820,312	736,23[illegible]
Revenue freight received from connections (no. of cars)	Oct. 29	6[illegible]9,384	699,051	686,029	627,680
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 3	$394,011,000	$295,207,000	$464,569,000	$287,149,000
Private construction	Nov. 3	278,458,000	177,470,000	330,197,000	165,775,000
Public construction	Nov. 3	115,553,000	117,737,000	134,372,000	121,374,000
State and municipal	Nov. 3	96,869,000	87,792,000	122,092,000	101,345,000
Federal	Nov. 3	18,684,000	2[illegible],945,000	12,280,000	20,02[illegible],000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 29	9,950,000	*9,760,000	9,620,000	9,203,000
Pennsylvania anthracite (tons)	Oct. 29	478,000	489,000	577,000	473,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 29	126	133	126	117
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 5	10,853,000	10,659,000	10,639,000	9,357,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 3	237	230	207	204
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 1	5.174c	5.174c	5.174c	4.798c
Pig iron (per gross ton)	Nov. 1	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Nov. 1	$44.50	$44.50	$44.83	$33.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 2	42.700c	42.700c	43.500c	29.700c
Export refinery at	Nov. 2	43.300c	43.300c	44.025c	30.850c
Straits tin (New York) at	Nov. 2	96.625c	96.250c	96.500c	92.250c
Lead (New York) at	Nov. 2	15.500c	15.500c	15.500c	15.000c
Lead (St. Louis) at	Nov. 2	15.300c	15.300c	15.300c	14.800c
Zinc (East St. Louis) at	Nov. 2	13.000c	13.000c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 8	95.99	96.11	95.96	99.31
Average corporate	Nov. 8	107.80	107.62	107.62	110.70
Aaa	Nov. 8	111.62	111.25	111.07	115.24
Aa	Nov. 8	109.79	109.60	109.60	112.37
A	Nov. 8	107.62	107.44	107.62	110.52
Baa	Nov. 8	102.80	102.63	102.63	105.00
Railroad Group	Nov. 8	106.39	106.21	106.21	108.88
Public Utilities Group	Nov. 8	108.16	107.98	108.16	111.07
Industrials Group	Nov. 8	109.06	108.88	108.70	112.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 8	2.80	2.79	2.80	2.55
Average corporate	Nov. 8	3.29	3.30	3.30	3.13
Aaa	Nov. 8	3.08	3.10	3.11	2.89
Aa	Nov. 8	3.18	3.19	3.19	3.04
A	Nov. 8	3.30	3.31	3.30	3.14
Baa	Nov. 8	3.58	3.59	3.59	3.45
Railroad Group	Nov. 8	3.37	3.38	3.38	3.23
Public Utilities Group	Nov. 8	3.27	3.28	3.27	3.11
Industrials Group	Nov. 8	3.22	3.23	3.24	3.06
MOODY'S COMMODITY INDEX	Nov. 8	398.6	400.3	405.7	411.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 29	284,924	240,944	294,523	256,771
Production (tons)	Oct. 29	288,522	292,172	292,654	260,468
Percentage of activity	Oct. 29	102	102	102	96
Unfilled orders (tons) at end of period	Oct. 29	591,291	598,836	585,740	390,545
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 4	107.15	106.79	107.04	106.22
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Oct. 15	1,261,044	1,167,614	1,307,513	964,681
Dollar value	Oct. 15	$65,732,153	$61,502,506	$74,950,287	$46,244,406
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 15	1,075,018	945,199	1,124,494	923,778
Customers' short sales	Oct. 15	10,181	5,967	4,990	8,132
Customers' other sales	Oct. 15	1,064,837	939,232	1,119,504	915,646
Dollar value	Oct. 15	$57,896,498	$50,456,939	$58,635,672	$41,816,541
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 15	269,790	217,180	308,890	318,150
Short sales	Oct. 15	------	------	------	------
Other sales	Oct. 15	269,790	217,180	308,890	318,150
Round-lot purchases by dealers—					
Number of shares	Oct. 15	479,500	472,810	499,110	321,350
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Oct. 15	437,120	429,900	569,710	395,310
Other sales	Oct. 15	12,269,010	10,734,290	13,462,750	10,626,860
Total sales	Oct. 15	12,706,130	11,164,190	14,032,460	11,022,170
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 15	1,930,410	1,573,220	1,655,230	1,190,650
Short sales	Oct. 15	226,110	224,820	266,640	199,470
Other sales	Oct. 15	1,658,590	1,413,680	1,369,890	983,940
Total sales	Oct. 15	1,884,700	1,638,500	1,636,530	1,183,410
Other transactions initiated on the floor—					
Total purchases	Oct. 15	454,440	299,370	390,220	338,620
Short sales	Oct. 15	19,700	24,200	32,850	29,700
Other sales	Oct. 15	418,440	321,160	354,080	362,880
Total sales	Oct. 15	438,140	345,360	386,930	392,580
Other transactions initiated off the floor—					
Total purchases	Oct. 15	566,425	504,134	295,231	439,610
Short sales	Oct. 15	67,230	65,920	157,612	73,600
Other sales	Oct. 15	566,294	505,407	756,980	511,812
Total sales	Oct. 15	633,524	571,327	914,592	585,412
Total round-lot transactions for account of members—					
Total purchases	Oct. 15	2,951,275	2,376,724	2,640,681	1,968,880
Short sales	Oct. 15	313,040	314,940	457,102	302,770
Other sales	Oct. 15	2,643,324	2,240,247	2,480,950	1,858,632
Total sales	Oct. 15	2,956,364	2,555,187	2,938,052	2,161,402
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 1	111.0	111.1	111.4	109.7
Farm products	Nov. 1	85.6	86.5	87.5	93.4
Processed foods	Nov. 1	98.8	98.9	101.1	103.7
Meats	Nov. 1	77.1	77.4	80.9	85.5
All commodities other than farm and foods	Nov. 1	118.7	118.7	118.6	114.5

*Revised figure. ¶Includes 811,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against Jan. 1, 1954 basis of 124,330,410 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of Aug.	133,551	132,669	125,296
Stocks of aluminum (short tons) end of Aug.	13,417	16,338	6[illegible],385
AMERICAN GAS ASSOCIATION—For month of September:			
Total gas (M therms)	4,273,696	4,219,316	3,962,600
Natural gas sales (M therms)	4,092,409	4,046,943	3,780,200
Manufactured gas sales (M therms)	21,225	20,233	30,100
Mixed gas sales (M therms)	160,062	152,140	152,300
AMERICAN PETROLEUM INSTITUTE—Month of August:			
Total domestic production (barrels of 42 gallons each)	228,307,000	226,683,000	211,150,000
Domestic crude oil output (barrels)	206,604,000	205,600,000	191,190,000
Natural gasoline output (barrels)	21,663,000	21,053,000	19,914,000
Benzol output (barrels)	40,000	30,000	46,000
Crude oil imports (barrels)	23,406,000	25,788,000	20,589,000
Refined products imports (barrels)	12,414,000	9,050,000	8,649,000
Indicated consumption domestic and export (barrels)	263,500,000	245,332,000	234,615,000
Increase all stock (barrels)	627,000	16,189,000	5,773,000
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average=100—Month of October:			
Adjusted for seasonal variations	122	*121	112
Without seasonal adjustment	128	*123	118
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of Aug. (000's omitted)	41,956,772	39,557,320	35,060,547
Revenue from ultimate customers—month of August	$690,352,000	$661,284,000	$616,891,000
Number of ultimate customers at Aug. 31	52,114,708	51,981,145	50,744,173
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of September:			
Contracts closed (tonnage)—estimated	339,461	*312,338	206,606
Shipments (tonnage)—estimated)	289,128	*268,362	265,388
METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of October:			
Copper (per pound)—			
Electrolytic domestic refinery	43.030c	44.052c	29.700c
Electrolytic export refinery	43.411c	44.339c	31.529c
Lead—			
Common, New York (per pound)	15.500c	15.100c	14.965c
Common, St. Louis (per pound)	15.300c	14.940c	14.760c
‡‡Prompt, London (per long ton)	£106.881	£107.568	£108.690
††Three months, London (per long ton)	£106.589	£107.293	£103.363
¶Antimony, New York Boxed	36.470c	36.470c	31.970c
Antimony (per pound) bulk, Laredo	33.000c	33.000c	28.500c
Antimony (per pound) Laredo	33.500c	33.500c	29.000c
Platinum refined (per ounce)	$94.460	$92.780	$79.800
Zinc (per pound)—East St. Louis	13.000c	12.928c	11.500c
††Zinc, London, prompt (per long ton)	£90.896	£91.886	£82.524
††Zinc, London, three months (per long ton)	£90.696	£91.480	£82.321
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97	$2.60000	$2.60000	$2.60000
Silver and Sterling Exchange—			
Silver, New York (per ounce)	91.794c	90.804c	85.250c
Silver, London (pence per ounce)	79.958	79.483	74.107
Sterling Exchange (Check)	$2.79205	$2.78583	$2.79747
Tin, New York straits	96.090c	96.245c	93.055c
§§New York, 99% min.	95.090c	95.245c	92.055c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$275.560	$263.400	$325.000
Aluminum, 99% plus ingot (per pound)	24.400c	24.400c	22.200c
Magnesium ingot (per pound)	32.500c	32.500c	27.000c
**Nickel	64.500c	64.500c	60.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of Sept.:			
Total number of vehicles	559,962	716,163	369,942
Number of passenger cars	467,845	620,610	300,998
Number of motor trucks	91,894	95,119	68,618
Number of buses	223	434	326
PORTLAND CEMENT (BUREAU OF MINES)—Month of August:			
Production (barrels)	27,861,000	27,332,000	25,698,000
Shipments from mills (barrels)	31,580,000	29,124,000	28,887,000
Stocks (at end of month—barrels)	12,705,000	16,727,000	14,408,000
Capacity used	109	107	103
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of September:			
Total operating revenues	$876,597,480	$905,142,066	$781,663,490
Total operating expenses	651,835,510	669,747,436	607,387,793
Operating ratio	74.36	73.99	77.70
Taxes	$101,540,855	$105,557,844	$74,154,255
Net railway operating income before charges	103,764,555	109,723,193	80,248,865
Net income after charges (estimated)	80,000,000	93,000,000	59,000,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of July:			
Net railway operating income	$92,612,113	$106,033,549	$71,155,169
Other income	18,151,066	20,135,003	18,272,162
Total income	110,763,179	126,168,552	89,427,331
Miscellaneous deduction from income	3,542,598	3,376,340	3,677,627
Income available for fixed charges	107,220,581	122,792,212	85,749,704
Income after fixed charges	75,602,980	91,515,112	53,937,489
Other deductions	3,211,647	3,411,613	3,255,939
Net income	72,391,333	88,103,499	50,681,550
Depreciation (way & structure & equipment)	44,605,748	44,312,745	44,123,612
Federal income taxes	33,998,037	45,894,326	15,780,480
Dividend appropriations:			
On common stock	21,150,309	25,476,791	25,314,258
On preferred stock	785,135	1,960,092	2,008,695
Ratio of income to fixed charges	3.39	3.93	2.70
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Sept. (000's omitted):			
Exports	$1,274,000	$1,227,400	$1,114,100
Imports	------	959,200	776,600
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of October 31	$279,865,604	$277,523,832	$278,785,687
General fund balances	5,313,658	5,375,505	6,682,775
Net debt	$274,551,946	$272,148,327	$272,102,912
Computed annual rate	2.416%	2.402%	2.298%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Aeco Corp., Beverly Hills, Calif.
Sept. 19 filed 1,245,000 shares of common stock (par 10 cents) to be offered for subscription by common stockholders on a share-for-share basis. **Price**—To be supplied by amendment. **Proceeds**—To repay borrowings; for exploration and development of oil and gas properties and further acquisitions. **Underwriter**—None, offering to be made on a "direct communication" basis by brokers.

Allied-Mission Oil, Inc., Tulsa, Okla.
Oct. 3 (letter of notification) 598,800 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For acquisition, exploration, drilling and development of leases. **Address**—P. O. Box 1387, Tulsa, Okla. **Underwriter**—United Securities Co., same address.

Aloha, Inc., Las Vegas, Nev.
Aug. 8 filled 900,000 shares of common stock (par $1) and 900,000 shares of preferred stock (par $10) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Proceeds**—For construction of hotel and related activities and for contingencies, stock in trade, and working capital. **Underwriter**—None.

Alouette Uranium & Copper Mines, Inc., Montreal, Canada
July 22 (Regulation D) 1,000,000 shares of common stock. **Price**—30 cents per share. **Proceeds**—For exploration and development expenses, etc. **Underwriter**—Hudson-Bergen Securities, Inc., Cliffside Park, N. J.

Amarilla Uranium, Inc.
July 27 (letter of notification) 6,500,000 shares of common stock. **Price**—One cent per share. **Proceeds**—For expenses incident to mining activities. **Underwriter**—Weber Investment Co., Ogden, Utah.

American European Securities Co.
Oct. 11 filed 91,875 shares of common stock (no par) being offered for subscription by stockholders on the Oct. 31, 1955; rights to expire on Nov. 22. **Price**—$28 per share. **Proceeds** — For investment. **Underwriter** — Dominick & Dominick, New York.

American Hide & Leather Co., Lowell, Mass.
Sept. 28 filed $2,426,500 of its 5% convertible subordinate debentures due Oct. 1, 1975 and 609,193 shares of common stock (par $1), of which all the debentures and 109,193 shares of stock are being offered in exchange for outstanding 48,530 shares of 6% cumulative preferred stock on the basis of $50 of debentures and 2¼ shares of common stock for each preferred share (this offer expires on Dec. 1, 1955, unless extended). The remaining 500,000 shares are under option to certain persons at $4 per share. **Underwriter**—None.

• **American Motorists Insurance Co.**
Sept. 30 filed 200,000 shares of capital stock (par $3) being offered for subscription by stockholders of record Oct. 26, 1955, on the basis of one new share for each five shares held; rights to expire on Dec. 1. **Price**—$8 per share. **Proceeds**—For general corporate purposes. **Office**—Chicago, Ill. **Underwriter**—None.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 16 filed 78,006,081 shares of common stock to be offered for subscription by holders of life insurance policies issued by Public Life Insurance Co. **Price**—20 cents per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be directly by the company or by salesman of the insurance firm.

Arizona Public Service Co. (11/16)
Oct. 25 filed 260,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—to reduce bank loans. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., both of New York.

Assateague Island Bridge Corp. (Md.)
Oct. 7 filed 100,000 shares of 5% cumulative preferred stock to be offered primarily to members of the Ocean Beach Club, Inc. **Price**—At par ($10 per share). **Proceeds**—For construction of bridge across Sinepuxent Bay from the Worcester County (Md.) mainland to Assateague Island. **Office**—Washington, D. C. **Underwriter**—None.

★ **Associated Fund, Inc., St. Louis, Mo.**
Nov. 1 filed (by amendment) an additional 45,000 full paid Associated Fund trust certificates and 45,000 accumulative Associated Fund trust certificates.

Atlas Industries, Inc., Houston, Texas
Oct. 10 (letter of notification) 200,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To purchase dies and materials and for working capital, etc. **Office** — 6006 Harvey Wilson Drive, Houston, Texas. **Underwriter** — Benjamin & Co., Houston, Texas.

Automatic Tool Corp.
Sept. 7 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To set up a factory and purchase equipment and machinery for manufacture and sale of the "grip-lock" driver and screw. **Office**—137 Grand St., New York, N. Y. **Underwriter**—Ellis-Greenberg Co., 1051 Carroll St., Brooklyn, N. Y.

• **Automobile Banking Corp. (11/22)**
Oct. 6 filed $1,500,000 5½% capital convertible debentures due Nov. 1, 1970. **Price**—At 100% and accrued interest. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—Reynolds & Co., New York.

Basin Natural Gas Corp., Aztec, N. Mex.
Sept. 19 (letter of notification) 750,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—For expenses incident to oil and gas activities. **Office**—109 W. Caco St., Aztec, N. M. **Underwriter**—Columbia Securities Corp., New York, N. Y.

Bassons Industries Corp.
Aug. 24 (letter of notification) 124,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For working capital, etc. **Office** — 1424 East Farms Road, New York City. **Underwriter**—Jay W. Kaufmann & Co., New York.

Big Chief Uranium Co., Pueblo, Colo.
Sept. 20 (letter of notification) 1,500,000 shares of nonassessable common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — 441 Thatcher Bldg., Pueblo, Colo. **Underwriter**—Investment Service Co., Denver, Colo.

Big Owl Uranium Mines
July 29 (letter of notification) 2,000,000 shares of common stock. **Price**—15 cents per share. **Proceeds**—For expenses incident to mining activities. **Underwriter** — Cranmer & Co., Denver, Colo.

Big Ridge Uranium Corp., Reno, Nev.
Oct. 19 (letter of notification) 9,000,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development costs. **Office**—206 North Virginia St., Reno, Nev. **Underwriter**—Mid America Securities, Inc., Salt Lake City, Utah.

Big Ute Uranium Corp., Overton, Nev.
Oct. 28 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Underwriter**—James E. Reed Co., Inc., Reno, Nev.

Black Panther Uranium Co., Oklahoma City, Okla.
July 12 filed 500,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To explore and drill leases and claims in State of Utah. **Underwriter**—Porter, Stacy & Co., Houston, Tex., on "best efforts basis."

Continued on page 40

NEW ISSUE CALENDAR

November 14 (Monday)
Chromalloy Corp. ---------- Common
(S. D. Fuller & Co.) $299,475
International Metals Corp. ---------- Common
(Gearhart & Otis, Inc.) $400,000
Nortex Oil & Gas Corp. ---------- Common
(J. R. Williston & Co.) 200,000 shares
Richmond Homes, Inc. ---------- Common
(Cruttenden & Co.) $700,000
Woodrow Douglas Oil Co. ---------- Common
(Eisele & King, Libaire, Stout & Co.) $300,000

November 15 (Tuesday)
Credit Finance Corp. ---------- Common
(Franklin Securities Co.) $296,000
Diners' Club, Inc. ---------- Common
(Lee Higginson Corp. and C. E. Unterberg, Towbin Co.) about $1,200,000
Marquette Cement Manufacturing Co. ---------- Common
(A. G. Becker & Co. Inc.) 262,500 shares
National Tea Co. ---------- Debentures
(Hemphill, Noyes & Co.) $15,000,000
New England Tel. & Tel. Co. ---------- Debentures
(Bids 11 a.m. EST) $30,000,000
Pacific Lighting Co. ---------- Preferred
(Blyth & Co., Inc.) about $20,000,000
Toro Manufacturing Corp. ---------- Common
(Offering to stockholders—underwritten by Piper, Jaffray & Hopwood) 42,099 shares
Western Maryland Ry. ---------- Common
(Morgan Stanley & Co. and Alex. Brown & Sons) 128,597 shares

November 16 (Wednesday)
Arizona Public Service Co. ---------- Common
(The First Boston Corp. and Blyth & Co., Inc.) 260,000 shares
Michigan Consolidated Gas Co. ---------- Bonds
(Bids 10:30 a.m. EST) $30,000,000
Northeast Metals Industries, Inc. ---------- Debentures & Common
(Pearson, Murphy & Co.) $300,000
Old Empire, Inc. ---------- Common
(Vickers Brothers) $300,000

November 17 (Thursday)
Colorado Interstate Gas Co. ---------- Common
(Union Securities Corp.) 256,503 shares
Radio Corp. of America ---------- Debentures
(Offering to stockholders—underwritten by Lehman Brothers and Lazard Freres & Co.) $100,000,000
Wheeling Steel Corp. ---------- Debentures
(Offering to stockholders—underwritten by Kuhn, Loeb & Co.) $19,097,800

November 21 (Monday)
Eagle Newspaper Enterprises, Inc. ---------- Pfd. & Com.
(James Anthony Securities Corp.) $757,500
Entz-White Lumber & Supply, Inc. ---------- Debs. & Com.
(Offering by company—no underwriting) $500,000

November 22 (Tuesday)
Automobile Banking Corp. ---------- Debentures
(Reynolds & Co.) $1,500,000
Kimberly-Clark Corp. ---------- Common
(Blyth & Co., Inc.) 400,000 shares
Montana-Dakota Utilities Co. ---------- Preferred
(Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane) $5,000,000
Siegler Corp. ---------- Common
(William R. Staats & Co.; Dominick & Dominick; Bache & Co.; and Schwabacher & Co.) 175,000 shares

November 23 (Wednesday)
Whitaker Cable Corp. ---------- Debentures
(Barret, Fitch, North & Co.) $500,000

November 25 (Friday)
Rochester Gas & Electric Corp. ---------- Common
(Offering to stockholders—underwritten by The First Boston Corp.) 200,000 shares

November 28 (Monday)
United Insurance Co. of America ---------- Common
(R. S. Dickson & Co. and A. C. Allyn & Co., Inc.) 200,000 shares

November 29 (Tuesday)
Miles Laboratories, Inc. ---------- Common
(Offering to stockholders—underwritten by The First Boston Corp.) 106,962 shares
San Diego Gas & Electric Co. ---------- Bonds
(Bids 8:30 a.m. PST) $18,000,000

November 30 (Wednesday)
Northrop Aircraft, Inc. ---------- Debentures
(William R. Staats & Co. and Blyth & Co.) $10,000,000
Porto Rico Telephone Co. ---------- Common
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane) 100,000 shares
Puerto Rican Jai Alai, Inc. ---------- Common
(F. H. Crerie & Co., Inc.) $1,875,000

December 1 (Thursday)
Missouri Pacific RR. ---------- Equip. Trust Ctfs.
(Bids to be invited) $2,625,000

December 5 (Monday)
Reading Tube Corp ---------- Preferred
(Emanuel, Deetjen & Co.) $2,400,000

December 6 (Tuesday)
Consolidated Edison Co. of New York ---------- Bonds
(Bids to be invited) $70,000,000
Virginia Electric & Power Co. ---------- Preferred
(Bids to be invited) $12,500,000

December 7 (Wednesday)
North Shore Gas Co. ---------- Bonds
(Bids 11 a.m. EST) $2,500,000

December 12 (Monday)
Union of South Africa ---------- Bonds
(Dillon, Read & Co.) $25,000,000

December 13 (Tuesday)
Delaware Power & Light Co. ---------- Bonds
(Bids to be invited) $10,000,000
Delaware Power & Light Co. ---------- Preferred
(Bids to be invited) $5,000,000

December 14 (Wednesday)
Atlanta Gas Light Co. ---------- Preferred
(Bids to be invited) $3,000,000
New Jersey Bell Telephone Co. ---------- Debentures
(Bids to be invited) $25,000,000

December 15 (Thursday)
Colohoma Uranium, Inc. ---------- Common
(General Investing Corp.) $1,250,000
Daitch Crystal Dairies, Inc. ---------- Debentures
(Hirsch & Co.) $2,000,000
General Capital Corp. ---------- Debentures
(No underwriting) $300,000
Revlon Products Corp. ---------- Common
(Reynolds & Co.) $4,000,000 to $5,000,000

December 20 (Tuesday)
Pennsylvania Electric Co. ---------- Bonds
(Bids to be invited) $20,700,000

January 11 (Wednesday)
New Orleans Public Service Inc. ---------- Preferred
(Bids to be invited) $6,000,000

Continued from page 39

Blackhawk Fire & Casualty Insurance Co.
Oct. 28 filed 200,000 shares of common stock (par $2.50), of which 170,527 shares are to be publicly offered to public at $5 per share, and 29,473 shares are to be purchased by Town and Country Insurance Agency, Inc. at $4.50 per share. **Proceeds**—To acquire through merger the Blackhawk Mutual Insurance Co. **Office**—Rockford, Ill. **Underwriter** — Arthur M. Krensky & Co., Inc., Chicago, Ill.

Blenwood Mining & Uranium Corp., Denver, Colo.
July 29 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price** — 30 cents per share. **Proceeds** — For expenses incident to mining operations. **Office**—612 Kittredge Bldg., Denver, Colo. **Underwriter** —Peters, Writer & Christensen, Inc., Denver 2, Colo.

Bonus Uranium, Inc., Denver, Colo.
Oct. 28 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1154 Bannock St., Denver, Colo. **Underwriter** — Mid-America Securities, Inc., Salt Lake City, Utah.

★ **Brooklyn Country Club, Inc., Bridgeport, Conn.**
Nov. 4 (letter of notification) $25,000 of 4½% first mortgage bonds due July 15, 1966, to be offered to members of Club. **Price**—At par. **Proceeds**—To pay off existing bank loans and for working capital. **Office**—500 Algonquin Road, Bridgeport 4, Conn. **Underwriter**—None.

Buell Die & Machine Co., Detroit, Mich.
Oct. 31 (letter of notification) 90,000 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each five shares held of record Oct. 26, 1955. **Proceeds**—For working capital. **Office** — 3545 Scotten Ave., Detroit, Mich. **Underwriter**—Wm. C. Roney & Co., same city.

Canuba Manganese Mines, Ltd., Toronto, Can.
Oct. 27 filed 500,000 shares of capital stock (par $1-Canadian). **Price**—$1.50 per share. **Proceeds**—For exploration of mining properties in Cuba. **Underwriter**—Baruch Brothers & Co., Inc., New York.

Caribou Ranch Corp., Denver, Colo.
July 15 filed 505,000 shares of common stock (par $1.) **Price**—$4 per share. **Proceeds**—For acquisition of property and equipment, construction of additional facilities, etc. **Underwriter**—Mountain States Securities, Inc., Denver, Colo.

★ **Carolina Casualty Insurance Co., Burlington, N. C.**
Nov. 2 (letter of notification) 30,000 shares of class B common stock (par $1) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—For working capital, etc. **Office**—262 Morehead St., Burlington, N. C. **Underwriter**—None.

★ **Century Acceptance Corp., Kansas City, Mo.**
Nov. 7 filed $750,000 of participating junior subordinated sinking fund 6% debentures due Nov. 1, 1970 (with detachable common stock purchase warrants for a total of 22,500 shares of common stock, par $1 per share). **Price**—At 100% (in units of $500 each). **Proceeds**—For working capital, etc. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

★ **Century Engineers, Inc., Burbank, Calif.**
Nov. 4 filed 74,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion of subsidiary and working capital. **Underwriter**—Morgan & Co., Los Angeles, Calif.

Chaffin Uranium Corp., Salt Lake City, Utah
Sept. 6 (letter of notification) 12,500,000 shares of non-assessable capital stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—810 Deseret Building, Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same City.

Channel Oil Co., Las Vegas, Nev.
Oct. 18 filed (by amendment) 435,000 shares of $1.20 cumulative preferred stock (callable at $20 per share) and 870,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred stock and two shares of common stock. **Price**—$20.20 per unit. **Proceeds** — For production of production payments. **Underwriters**—First California Co., Inc., San Francisco, Calif.; and Blair & Co., Incorporated, New York. **Change of Name**—Formerly Continental Production Corp. (see below). **Offering**—Indefinitely postponed.

Charge Buying Service, Inc.
Oct. 17 (letter of notification) 300,000 shares of class A common stock (par 25 cents) and 60,000 class warrants to be offered in units of five shares of class A stock and one warrant (warrant holders will be entitled to purchase one class A share at 62½ cents per share). **Price**—$2.50 per unit. **Proceeds**—For working capital and to meet current expansion and liquidate notes and liabilities. **Office**—522 Felt Bldg., Salt Lake City, Utah. **Underwriter**—Cayias, Larson, Glaser & Emery, Inc., same city.

Charleston Parking Service, Inc.
Aug. 1 (letter of notification) 120,000 shares of non-voting common stock, class A—(par 50 cents) and 60,000 shares of voting common stock, class B (par 10 cents) to be offered in units of two class A and one class B share. **Price**—$5 per unit. **Proceeds**—For general working capital. **Office**—505 National Bank of Commerce Building, Charleston, W. Va. **Underwriter**—Crichton Investment Co., same address.

● **Chromalloy Corp. (11/14-17)**
Sept. 29 (letter of notification) 133,100 shares of common stock (par 10 cents). **Price**—$2.25 per share. **Proceeds**—For equipment, working capital, etc. **Office**—109 West 64th St., New York 23, N. Y. **Underwriter**—S. D. Fuller & Co., New York.

Cisco Uranium Corp., Salt Lake City, Utah
Aug. 10 (letter of notification) 7,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses, etc. **Office**—2630 South 2nd West, Salt Lake City, Utah. **Underwriter**—Denver Securities, Inc., Denver, Colo.

Citizens Credit Corp., Washington, D. C.
Sept. 27 (letter of notification) $245,000 of 6% subordinated debentures due 1975 (with warrants to purchase 2,450 shares of class A common and 490 shares of class B common stock). **Price**—99%. **Proceeds**—To supply capital to subsidiaries. **Office**—1028 Connecticut Ave., N. W., Washington, D. C. **Underwriter**—Emory S. Warren & Co., same address.

● **Clad (Victor V.) Co., Philadelphia, Pa.**
June 17 (letter of notification) 120,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For equipment and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York. **Offering**—Now being made.

Clad-Rex Steel Co., Denver, Colo.
Aug. 24 filed 400,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay short-term obligations, etc. and for working capital. **Underwriter** — Mountain States Securities Co., Denver, Colo.; and Joseph McManus & Co., New York, N. Y.

● **Colohoma Uranium, Inc. (12/15)**
April 21 filed 2,500,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Office**—Montrose, Colo. **Underwriters**—General Investing Corp., New York; and Shaiman & Co., Denver, Colo.

Colorado Interstate Gas Co. (11/17)
Oct. 28 filed 256,503 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To Public Service Co. of Colorado, the selling stockholder. **Underwriter**—Union Securities Corp., New York.

★ **Comco, Inc., Dayton, Ohio**
Nov. 4 (letter of notification) 5,000 shares of common stock (no par). **Price**—$10 per share. **Proceeds** — For general corporate purposes. **Office** — 6632 Shadeland Ave., Dayton, Ohio. **Underwriter**—None.

Comet Uranium Corp., Washington, D. C.
Aug. 20 (letter of notification) 700,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—501 Perpetual Bldg., Washington 4, D. C. **Underwriters**—Mid America Securities, Inc., Salt Lake City, Utah; and Seaboard Securities Corp., Washington, D. C.

Commercial Uranium Mines, Inc.
July 12 (letter of notification) 15,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—170 Vista Grand Road, Grand Junction, Colo. **Underwriter** — Columbia Securities Co., Denver and Grand Junction, Colo.

Commonwealth Credit Corp., Phoenix, Ariz.
Sept. 9 filed 700,000 shares of capital stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital, etc. **Underwriter**—None.

Commonwealth Edison Co.
Oct. 13 filed 1,110,375 shares of common stock (par $25), being offered for subscription by common stockholders of record Nov. 1, 1955 on the basis of one new share for each 15 shares held; rights to expire on Nov. 16. **Price**—$37.50 per share. **Proceeds**—For construction program. **Underwriters**—The First Boston Corp. and Glore, Forgan & Co., both of New York.

● **Commonwealth Life Insurance Co.**
Aug. 22 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be credited to capital stock, unassigned surplus and reserve for business development and for expansion and life reserves. **Office**—616 South Main St., Tulsa, Okla. **Underwriter** — Eastman, Dillon & Co., New York, N. Y. **Offering**—Expected today (Nov. 10).

Continental Production Corp.
Aug. 29 filed $8,700,000 of 15-year 5½% income debentures due Sept. 1, 1970 and 870,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and five shares of stock. **Price**—$50.50 per unit. **Proceeds**—For acquisition of production payments. **Office**—Las Vegas, Nev. **Underwriter**—First California Co., Inc., San Francisco, Calif. **Statement Amended and Name Changed**—See Channel Oil Co. above.

Cook Industries, Inc., Dallas, Texas
Aug. 1 (letter of notification) 199,999 shares of common stock (par $1), of which 107,915 shares are to be sold by company and 92,084 shares by a selling stockholder. **Price**—$1.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Central Securities Co., Dallas, Texas.

● **Coosa River Newsprint Co.**
Oct. 19 filed 122,200 shares of common stock (par $50) being offered for subscription by common stockholders on the basis of one new share for each three shares held as of record Nov. 8, 1955; rights to expire on Nov. 29. **Price**—$70 per share. **Proceeds**—Together with other funds, for expansion. **Office**—Coosa Pines, Ala. **Underwriter**—Blyth & Co., Inc., New York.

Corpus Christi Refining Co.
Sept. 2 filed 500,000 shares of common stock (par 10 cents). **Price**—At the market. **Proceeds**—To a selling stockholder. **Office**—Corpus Christi, Texas. **Underwriter**—None.

● **Credit Finance Corp., La Grange, Ga. (11/15)**
Oct. 28 (letter of notification) 148,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For working capital. **Office**—Mallory-Hutchinson Bldg., La Grange, Ga. **Underwriter**—Franklin Securities Co., Atlanta, Ga.

Cross-Bow Uranium Corp.
Aug. 29 (letter of notification) 5,000,000 shares of common stock. **Price**—At par (six cents per share). **Proceeds** — For mining operations. **Office** — 1026 Kearns Bldg., Salt Lake City, Utah. **Underwriters**—Potter Investment Co., and Mid-America Securities, both of Salt Lake City, Utah.

★ **Cuno Engineering Corp., Meriden, Conn.**
Nov. 3 filed 100,000 shares of $1 cumulative preferred stock (no par — $14 stated value) and 100,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price** — $16.50 per unit. **Proceeds**—To repay, in part, bank loan in connection with purchase from the Donner interests of entire outstanding 10,100 shares of class A preference stock for $1,010,000 and their entire holdings of common stock, consisting of 12,850 shares (85%) for the sum of $809,550; and toward replacement in part of company's cash used (1) to purchase entire outstanding capital stock of Connecticut Filter Corp. from the Donner interests for the sum of $250,205 and (2) to pay off in full a $400,000 4½% 5-year bank loan. **Underwriter**—Putnam & Co., Hartford, Conn.

● **Daitch Crystal Dairies, Inc. (12/15-20)**
Oct. 28 filed $2,000,000 of 4% convertible subordinated debentures due 1975. **Price**—100% of principal amount. **Proceeds**—From sale of debentures, together with funds to be received from institutional investor, to be used in connection with proposed merger with company of Shopwell Foods, Inc., and for expansion program. **Office**—Bronx, New York City, N. Y. **Underwriter**—Hirsch & Co., New York.

★ **Deep-Root Fertilizers, Inc.**
Nov. 1 (letter of notification) 1,750 shares of preferred stock (par $100), 1,750 shares of class A common stock (no par) and 350 shares of class AA common stock (no par). **Price**—Of preferred, $100 per share; and of common stocks, $1 per share. **Office** — 129 West Park St., Olathe, Kansas. **Proceeds**—For additions to property and working capital. **Underwriter**—None.

● **Deerfield Gas Production Co.**
Sept. 30 this company, together with Kearney Gas Production Co., filed 935,999 units of beneficial interest in Hugoton Gas Trust, to be issued to common stockholders of Kansas-Nebraska Natural Gas Co., Inc. on a 1-for-1 basis; and to its eligible employees. **Price**—$4 per unit. **Proceeds** — For retirement of indebtedness secured by first mortgages; balance for payment of obligations and expenses of the two companies in liquidation and for liquidation distribution to stockholders. **Office**—Wichita, Kan. **Underwriters**—The First Trust Co., of Lincoln, Neb. and Cruttenden & Co., Chicago, Ill. **Offering**—Expected today (Nov. 10).

Delta Minerals Co., Casper, Wyo.
Sept. 20 (letter of notification) 600,000 shares of non-assessable common stock (par five cents). **Price**—50 cents per share. **Proceeds**—Expenses incident to mining operations. **Office**—223 City and County Bldg., Casper, Wyo. **Underwriter**—The Western Trader & Investor, Salt Lake City, Utah.

Diners' Club, Inc., New York (11/15-16)
Oct. 25 filed 150,000 shares of common stock (par $1), of which 50,000 shares are to be offered by the company and 100,000 shares by Ralph E. Schneider and Alfred S. Bloomingdale, the two selling stockholders. **Price**—To be supplied by amendment (estimated offering price is stated at about $8 per share). **Proceeds**—For working capital. **Underwriters** — Lee Higginson Corp. and C. E. Unterberg Towbin Co., both of New York.

Dinosaur Uranium Corp., Salt Lake City, Utah
Aug. 15 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—15 Exchange Place, Salt Lake City, Utah. **Underwriter**—Western States Investment Co., same city.

Dix Uranium Corp., Provo, Utah
Aug. 10 (letter of notification) 6,000,000 shares of non-assessable capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—290 North University Ave., Provo, Utah. **Underwriter** — Weber Investment Co., Provo, Utah.

Dixie Aluminum Corp., Rome, Ga.
Oct. 31 filed 125,000 shares of 36-cent cumulative preferred stock (par $4) and 125,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. Of the common shares, 74,180 are being sold by the company and 50,820 by Brett D. Holmes, its President. **Price**—$7 per unit. **Proceeds**—To repay indebtedness and for expansion, equipment, working capital and other general corporate purposes. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

Dome Uranium Mines, Inc., Denver, Colo.
July 12 (letter of notification) 1,300,000 shares of common stock (par one cent). **Price** 20 cents per share. **Proceeds** — For expenses incident to mining operations. **Office**—352 Colorado National Bldg., Denver, Colo. **Underwriters**—R. L. Hughes & Co., Denver, Colo. and G. W. Allen & Co., Cheyenne, Wyo.

● **Eagle Newspaper Enterprises, Inc. (11/21-25)**
Oct. 19 filed 75,000 shares of 7% cumulative convertible preferred stock (par $10) and 75,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$10.10 per unit. **Proceeds**—To exercise an option, which expires on Dec. 4, 1955, to acquire certain properties of the Brooklyn Eagle, Inc.; and for working capital. **Office**—Brooklyn, N. Y. **Underwriter** — James Anthony Securities Corp., New York.

Eagle Rock Uranium Co., Salt Lake City, Utah
Sept. 19 (letter of notification) 30,000,000 shares of non-assessable common stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—214 East 5th South, Salt Lake City, Utah. **Underwriter**—Valley State Brokerage, Inc., Las Vegas, Nev.

★ **East Basin Oil & Uranium Co.**
Oct. 25 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to drilling for oil and gas. **Office**—Colorado Bldg., Denver, Colo. **Underwriter**—Philip Gordon & Co., Inc., New York.

Eastern Life Insurance Co. of New York
Sept. 20 (letter of notification) 5,239 shares of common stock (par $5.50) being offered for subscription by stockholders of record Oct. 1, 1955 at rate of one new share for each 10 shares held; rights to expire on Nov. 15, 1955. **Price**—$35.50 per share. **Proceeds**—For expansion and working capital. **Office**—386 Fourth Avenue, New York 16, N. Y. **Underwriter**—None.

Edgemont Shopping Center, Inc., Chicago, Ill.
Oct. 14 filed 6,000 shares of class A common stock. **Price**—At par ($100 per share). **Proceeds**—To acquire title to shopping center in Lansing, Mich., from builder of center. **Underwriter**—None, offering to be made through officers of company. Funds are to be held in escrow (if not enough is received, funds will be returned to purchasers of stock).

Electronic Micro-Ledger Accounting Corp.
Sept. 28 (letter of notification) 297,000 shares of common stock (par 10 cents), to be offered for subscription by stockholders. **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—53 State St., Boston, Mass. **Underwriter**—None.

Empire Studios, Inc., Orlando, Fla.
Oct. 7 (letter of notification) 120,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—To finish three films under release contract to Republic Pictures Corp. **Underwriter** — Gerard R. Jobin Investments, Ltd., St. Petersburg, Fla.

Entz-White Lumber & Supply, Inc., Phoenix, Ariz. (11/21)
Oct. 26 filed $500,000 of 20-year, 7% sinking fund debentures and 10,000 shares of capital stock (par $1) to be offered in units of $50 principal amount of debentures and one share of stock. **Price** — $50 per unit. **Proceeds**—To retire $80,000 of outstanding debentures; to increase inventories; and to establish additional outlets. **Underwriter**—None.

Finance Co. of America at Baltimore
Oct. 19 (letter of notification) 10,000 shares of class A common stock (par $10), to be offered for subscription by stockholders on the basis of one new share for each 10 shares held. **Price**—$30 per share. **Proceeds**—To form and invest in the capital stock of an insurance company subsidiary. **Office**—Munsey Bldg., Baltimore 2, Md. **Underwriter**—None.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

★ **Founders Mutual Depositor Corp., Denver, Colo.**
Nov. 7 filed 24,000 Systematic Payment Plan Certificates aggregating $36,000,000, and 500 Accumulative Plan Certificates aggregating $750,000.

Franklin Railway Supply Co.
Oct. 19 (letter of notification) 20,000 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—To reduce unsecured bank loans and for working capital. **Office**—927 Market St., Wilmington, Del. **Underwriter**—None, But C. W. Floyd Coffin and Herman F. Ball have agreed to purchase all shares not subscribed for by stockholders.

Freedom Insurance Co.
June 6 filed 1,000,000 shares of common stock (par $10). **Price**—$22 per share. **Proceeds**—For capital and surplus. **Business**—All insurance coverages, except, life, title and mortgage. **Office**—2054 University Avenue, Berkeley, Calif., c/o Ray B. Wiser, President. **Office**—Berkeley, Calif. **Underwriter** — Blair & Co. Incorporated, New York. **Offering**—Indefinitely postponed.

Fremont Uranium Co., Salt Lake City, Utah
Aug. 1 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—515 Deseret Bldg., Salt Lake City, Utah. **Underwriter** — Moab Brokerage Co., Western States Investment Co., Potter Investment Co., Mid-America Securities, Inc. of Utah, and Cashin-Emery, Inc., all of Salt Lake City, Utah.

Gallina Mountain Uranium Corp.
July 29 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—An aggregate of $50,000. **Proceeds**—For mining expenses. **Office**—82 Beaver St., New York. **Underwriter** — Prudential Securities Corp., same address.

Gas Hills Mining & Oil, Inc., Kemmerer, Wyo.
Aug. 1 (letter of notification) 1,000,000 shares of capital stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For oil and mining expenses. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

General Capital Corp. (12/15)
Oct. 3 (letter of notification) $300,000 of 10 year 8% debentures. **Price**—At par (in denominations of $100, $500, $1,000 and $5,000). **Proceeds** — For purchase of commercial paper. **Office**—4309 N. W. 36st St., Miami Springs, Fla. **Underwriter**—None.

General Molded Plastics, Inc.
Sept. 30 (letter of notification) 297,500 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For acquisition of machinery, molding equipment and working capital. **Office**—Tower Petroleum Bldg., Dallas, Tex. **Underwriter**—First Securities Co., Dallas, Tex.

★ **George Chem. Development Co., Butte, Mont.**
Oct. 28 (letter of notification) 383,600 shares of capital stock (par 25 cents). **Price**—12½ cents per share. **Proceeds** — For mining expenses. **Office**—8 First National Bank Bldg., Butte, Mont. **Underwriter**—Graeme Robertson, 8400 Wicklow Ave., Cincinnati, Ohio.

Gibraltar Uranium Corp., Aurora, Colo.
July 18 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds**—For expenses incident to mining. **Office**—701 Moline St., Aurora, Colo. **Underwriter**—Robert J. Connell, Inc., Denver, Colo.

★ **Government Personnel Mutual Fund, Inc.**
Nov. 3 filed 300,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—Washington, D. C.

Great Lakes Oil & Chemical Co.
Sept. 29 (letter of notification) an undetermined number of shares of common stock (par $1) to be offered to common stockholders through transferable warrants. **Price**—To be supplied by amendment. **Proceeds**—For general funds. **Office**—417 South Hill St., Los Angeles, Calif. **Underwriter**—None.

Great Southwest Fire Insurance Co., Phoenix, Ariz.
Oct. 26 filed 700,000 shares of capital stock (par $1), to be offered to present and future holders of policies issued by National Reserve Insurance Co. as an optional dividend refund of their annual policy premium. **Price**—$1.60 per share. **Proceeds**—For working capital, etc. **Underwriter** — None. Some of the stock will also be offered to public through Kenneth K. Pound, President; and Law L. Lovelace, Secretary-Treasurer.

Gulf Coast Leaseholds, Inc., Houston, Texas
Sept. 14 filed $2,000,000 of 5% sinking fund convertible debentures due Sept. 1, 1965 to be sold to Brandel Trust. **Price**—$1,825,000, plus accrued interest of $29,632. **Proceeds**—To purchase certain working or leasehold interests in oil and gas interests. **Underwriter**—None.

Half Moon Uranium Corp., Ogden, Utah
Aug. 10 (letter of notification) 8,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining expenses. **Office**—E-17 Army Way, Ogden, Utah. **Underwriter**—United Intermountain Brokerage Corp., Ogden, Utah.

★ **Hemenway Furniture Co., Inc., Shreveport, La.**
Oct. 31 (letter of notification) 30,000 shares of 5½% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

Home Acceptance Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) $300,000 of 25-year 6% junior subordinated debentures due Oct. 1, 1980. **Price**—At par (in denominations of $1,000, $500 and $100). **Proceeds**—For working capital. **Office**—837 South Maine St., Salt Lake City, Utah. **Underwriter**—Edward L. Burton & Co., same city.

Home Oil Co., Ltd., Calgary, Canada
Sept. 26 filed 1,500,000 shares of class A stock and 3,793,231 shares of class B stock, which are to be offered in exchange for Federated Petroleums, Ltd. common stock on the basis of one share of either class A or class B stock in exchange for each two Federated shares. Stockholders will vote Dec. 6 on approving acquisition of assets of Federated. Statement effective Oct. 19.

Hugoton Gas Trust
See Deerfield Gas Production Co. above.

Hunt Uranium Corp., Green River, Utah
Aug. 22 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For expenses incident to mining activities. **Underwriter** — Elmer K. Aagaard, 323 Newhouse Bldg., Salt Lake City, Utah.

Hydro-Loc, Inc., Seattle, Wash.
Oct. 25 (letter of notification) 1,674 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For working capital, etc. **Office**—603 Central Bldg., Seattle 4, Wash. **Underwriter**—Pacific Brokerage Co. of Seattle, Wash.

Indian Monument Uranium Mining Corp.
Sept. 6 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—205 Byington Building, Reno, Nev. **Underwriter**—Richard L. Dineley, same address.

★ **Industria Electrica de Mexico, S. A. (Electrical Industry of Mexico, Inc.)**
Nov. 7 filed 157,632 American shares representing a like amount of common shares (par 100 pesos-Mexican currency—U. S. $8 per share) to be offered for subscription by common stockholders at the rate of one new share for each common share held of record Nov. 28; rights to expire on Dec. 13. **Price**—At par. **Proceeds**—For general corporate purposes. **Underwriter**—National Financiera, S. A., a Mexican corporation controlled by the Mexican Government, has agreed to purchase all of the additional new common stock not subscribed for.

Inland Oil & Uranium Corp., Denver, Colo.
July 18 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to oil and gas activities. **Office**—3975 East 58th Ave., Denver, Colo. **Underwriter**—Shaiman & Co., Denver, Colo.

International Investors Inc., New York
Aug. 23 filed 200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Business**—To invest in foreign securities of the free world outside of the United States. **Underwriter**—I. I. I. Securities Corp., 76 Beaver St., New York, N. Y.

● **International Metals Corp. (11/14-18)**
Oct. 4 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance exploration and development of mining properties of Recursos Mineros Mexicanos, S. A., Mexican subsidiary, and to discharge note. **Office** — Houston, Tex. **Underwriter**—Gearhart & Otis, Inc., New York.

International Plastic Industries Corp.
Oct. 12 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For advances to Arliss Co., Inc. for purchase of equipment, etc. **Office** — 369-375 DeKalb Ave., Brooklyn 5, N. Y. **Underwriter**—Kamen & Co., New York.

Israel Industrial & Mineral Development Corp.
Oct. 5 filed 200,000 shares of common stock (par $25). **Price**—$27.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Israel Securities Corp., New York, N. Y.

"Isras" Israel-Rassco Investment Co., Ltd.
Sept. 28 filed 9,000 ordinary shares. **Price**—At par (100 Israel pounds each, or about $55 in U. S. funds), payable in State of Israel Independence Issue Bonds only. **Office**—Tel Aviv, Israel. **Underwriter** — Rassco Israel Corp., New York.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of nonassessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez, Colo. **Underwriter** — Bay Securities Corp., New York, New York.

Kansas City Title Insurance Co.
Sept. 19 (letter of notification) 7,500 shares of capital stock (par $25), being offered to stockholders as of Oct. 1 on the basis of one new share for each eight held; rights to expire on Nov. 15. **Price**—$40 per share. **Proceeds**—For general corporate purposes. **Office** — Title Bldg., Kansas City, Mo. **Underwriter**—None.

Kayser (Julius) & Co., New York
Oct. 24 filed 130,000 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each five shares held. **Price**—$20 per share. **Proceeds**—For general corporate purposes. **Business** — Manufactures wearing apparel. **Underwriter** — None. Any unsubscribed shares will be taken up by certain officers, directors and insurance companies.

Kearney Gas Production Co.
See Deerfield Gas Production Co. above.

Kendon Electronics Co., Inc.
Oct. 27 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—To Nicholas J. Papadakos, the selling stockholder. **Office**—129 Pierrepont St., Brooklyn, N. Y. **Underwriter**—20th Century Pioneer Securities Co., New York.

● **Keyes Fibre Co., Waterville, Me.**
Oct. 21 filed 100,000 shares of 4.80% cumulative first preferred stock (par $25) being offered for subscription by common stockholders of record Nov. 7 on the basis of one share of preferred stock for each seven shares held; rights to expire on Nov. 17. **Price**—$25.25 per share. **Proceeds** — For additional building construction and manufacturing equipment. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

Kimberly-Clark Corp., Neenah, Wis. (11/22)
Oct. 31 filed 400,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Kirby Oil & Gas Co.
July 8 filed 200,000 shares of common stock (par $1), of which 100,000 shares are for the account of the company and 100,000 shares for the account of the Murchison-Richardson financial interests of Texas. **Price**—To be supplied by amendment. **Proceeds**—To retire outstanding bank loans and for exploration of oil and gas leases. **Underwriters**—Allen & Co., New York: and Rauscher, Pierce & Co., Dallas, Texas. **Offering** — Postponed indefinitely.

Lander Valley Uranium & Oil Corp.
Aug. 15 (letter of notification) 3,000,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—c/o Warren E. Morgan, President, 1705 East First South, Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

LeCuno Oil Corp., Jefferson, Texas
Aug. 29 filed 450,000 shares of capital stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For payment of liabilities and expenses incident to oil and gas and mineral activities. **Underwriter**—First California Co., Inc., San Francisco, Calif.

★ **Libbey-Owens-Ford Glass Co., Toledo, Ohio**
Nov. 2 filed 19,605 shares of common stock (par $10) to be offered for sale to employees holding company's series K options granted pursuant to its Employee Stock Option Plan. **Option Plan**—$77.50 per share.

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Life Underwriters Insurance Co., Shreveport, La.
Sept. 26 filed 100,000 shares of common stock (par 25 cents) to be offered for subscription by present stockholders of record July 21, 1955 on the basis of one new share for each four shares held; rights to expire 45 days from the commencement of the offering, after which unsold shares will be offered to public. **Price**—$8.75 per share to stockholders; $10 per share to public. **Proceeds**—For expansion and working capital. **Underwriter**—None.

★ **Lincoln Service Corp., Washington, D. C.**
Nov. 3 filed $4,000,000 12-year sinking fund capital debentures, due Dec. 1, 1967. **Price** — To be supplied by amendment. **Proceeds**—To reduce bank loans and other indebtedness and for working capital. **Underwriters**—Johnston, Lemon & Co., Washington, D. C.; and Union Securities Corp., New York. **Offering** — Probably not until December.

Lithium Developments, Inc., Cleveland, Ohio
Oct. 17 filed 600,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development costs, etc. **Underwriter**—George Searight, New York City.

Little Mac Uranium Co.
Sept. 12 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—440 West 3rd North, Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of non-assessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

● **Magna Theatre Corp., New York**
Sept. 29 filed 110,000 shares of common stock (par five cents) being offered for subscription by common stockholders of record Oct. 26 at the rate of one new share for each 20 shares held; rights to expire on Nov. 18. **Price**—$5 per share. **Proceeds**—To pay interest on outstanding 6% debentures, and for general corporate purposes. **Underwriter**—The United Artist Theatre Circuit, Inc. of New York.

(The) Manchester Co.
Oct. 12 (letter of notification) 10,000 shares of cumulative convertible preferred stock (convertible any time after Jan. 1, 1956 into common stock on a share-for-share basis). **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—Charles E. Thenebe & Associates, Hartford, Conn.

● **Manhattan Mercury Corp., Denver, Colo.**
Oct. 26 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price** — 20 cents per share. **Proceeds**—For mining expenses. **Office** — 374 Denver Club Bldg., Denver, Colo. **Underwriters**—General Investing Corp., New York; and Investment Service Co., Denver, Colo.

Manufacturers Cutter Corp.
Oct. 18 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loans, and for new equipment and working capital. **Business**—Cutting tools. **Office**—275 Jefferson St., Newark, N. J. **Underwriter**—Paul C. Ferguson & Co., same city.

Marl-Gro, Inc., San Francisco, Calif.
Oct. 6 (letter of notification) 172,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses and expenses incident to selling a soil conditioner. **Office**—681 Market St., San Francisco, Calif. **Underwriter**—Globe Securities Corp., New York.

Marquette Cement Manufacturing Co. (11/15)
Oct. 25 filed 262,500 shares of common stock (par $4), of which 250,000 shares are to be sold for account of company and 12,500 for the account of an estate. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter** — A. G. Becker & Co. Inc., Chicago, Ill.

Mascot Mines, Inc.
Aug. 1 (letter of notification) 300,000 shares of common stock (par 35 cents). **Price** — 62½ cents per share. **Proceeds** — For expenses incident to mining activities. **Underwriter**—Standard Securities Corp., Spokane, Wash.

Mesa-Loma Mining Corp., Fort Collins, Colo.
July 13 (letter of notification) 2,955,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—415 Peterson St., Fort Collins, Colo. **Underwriter**—Bay Securities Corp., 115 Broadway, New York, N. Y.

Mexico Refractories Co., Mexico, Mo.
Oct. 19 filed 57,776 shares of common stock (par $5) to be offered to stockholders of National Refractories Co., a subsidiary, in exchange for 57,776 shares of capital stock (par $5) of National on a share-for-share basis; offer to remain open for 60 days from date of prospectus. Offer is conditioned upon Mexico owning at least 80% of outstanding National stock upon consummation of exchange.

Michigan Consolidated Gas Co. (11/16)
Oct. 20 filed $30,000,000 of first mortgage bonds due 1980. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—To be received up to 10:30 a.m. (EST) on Nov. 16.

★ **Mid-State Commercial Corp.**
Oct. 31 (letter of notification) 5,000 shares of 7% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds** — To acquire conditional sale contracts, to reduce notes payable and for other corporate purposes. **Office** — 2 King St., Middletown, N. Y. **Underwriter**—Frazee, Olifiers & Co., New York.

★ **Miles Laboratories, Inc., Elkhart, Ind. (11/29)**
Nov. 9 filed 106,962 shares of common stock (par $2) to be offered for subscription by common stockholders of record about Nov. 29 on the basis of one new share for each ten shares held; rights to expire on Dec. 12. **Price**—To be supplied by amendment. **Proceeds** — For expansion; purchase of machinery and equipment; and for working capital. **Underwriter** — The First Boston Corp., New York.

Moab Treasure Uranium Corp.
July 25 (letter of notification) 6,000,000 shares of common stock. **Price**—Five cents per share. **Proceeds** — For expenses incident to mining activities. **Underwriter** — Utah Uranium Brokers, Salt Lake City, Utah.

Mobile Uranium & Oil Co., Salt Lake City, Utah
Aug. 22 (letter of notification) 5,500,000 shares of non-assessable capital stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Mohawk Silica Co., Cincinnati, Ohio
Oct. 3 (letter of notification) 3,000 shares of 8% cumulative preferred stock. **Price** — At par ($50 per share). **Proceeds**—For processing plant, heavy equipment, and working capital. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter** — W. E. Hutton & Co., Cincinnati, Ohio.

Monogram Uranium & Oil Co.
Aug. 31 filed 1,000,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds** — To make payment of $675,000 to Four Corners Uranium Corp. under a purchase contract; to use $100,000 each to purchase mining equipment, to pay for development and driving drift and for exploratory drilling; and the remainder for working capital, acquisition of additional properties, and unforeseen contingencies. **Underwriter**—Carr & Co., Detroit, Mich.

Montana-Dakota Utilities Co. (11/22)
Nov. 1 filed 50,000 shares of cumulative preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

★ **National Airlines, Inc.**
Nov. 4 filed 70,748 shares of common stock (par $1) to be offered pursuant to the company's Restricted Stock Options to supervisory employees of the company and its subsidiaries (including officers and directors but excluding the new President of the Company).

National Mercury Corp., Denver, Colo.
Oct. 24 (letter of notification) 750,000 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds** — For mining expenses. **Office** — 414 Colorado Bldg., Denver, Colo. **Underwriter**—Shaiman & Co., same city.

National Tea Co., Chicago, Ill. (11/15)
Oct. 19 filed $15,000,000 of convertible sinking fund subordinated debentures due Nov. 1, 1980. **Price**—To be supplied by amendment. **Proceeds** — For payment of bank loans incurred for expansion. **Underwriter** — Hemphill, Noyes & Co., New York.

Natural Power Corp. of America, Moab, Utah
Sept. 7 (letter of notification) 300,000 shares of non-assessable common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

Navajo Cliffs Uranium Corp., Provo, Utah
July 6 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office**—156 No. University Ave., Provo, Utah. **Underwriter** — Lindquist Securities, Salt Lake City, Utah.

Nevada Mercury Corp., Winnemucca, Nev.
Sept. 16 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Professional Building, Winnemucca, Nev. **Underwriter**—Shelley, Roberts & Co., Denver, Colo.

New England Telephone & Telegraph Co. (11/15)
Oct. 21 filed $30,000,000 of 36 year debentures due Nov. 15, 1991. **Proceeds**—To repay advances from the American Telephone & Telegraph Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Glore, Forgan & Co. **Bids**—To be received up to 11 a.m. (EST) on Nov. 15 at Room 2315, 195 Broadway, New York, N. Y.

New Mexico Copper Corp.
Sept. 8 (letter of notification) $100,000 of 6% convertible debenture bonds due Oct. 1, 1965 (to be convertible at any time at rate of $100 of bonds for 220 shares of common stock). **Price**—At par. **Proceeds** — For mining expenses. **Office**—Carrizozo, N. M. **Underwriter**—M. J. Sabbath Co., Washington, D. C.

New Mexico Oil & Gas Co.
July 27 (letter of notification) 2,500,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds** — For general corporate purposes. **Office** — Bethesda, Md. **Underwriter**—Lewellen-Bybee Co., Washington, D. C.

● **Nortex Oil & Gas Corp., Dallas (11/14-18)**
Sept. 16 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To purchase certain oil and gas properties and leasehold interests; for drilling and development costs; to pay off $450,000 promissory notes; and for general corporate purposes. **Underwriter**—J. R. Williston & Co., New York.

North Shore Gas Co., Salem, Mass. (12/7)
Nov. 1 filed $2,500,000 of first mortgage bonds, series B, due 1975. **Proceeds**—To repay bank loans and advances from New England Electric System. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blair & Co. Incorporated. **Bids**—Scheduled to be received up to 11 a.m. (EST) on Dec. 7 at 441 Stuart St., Boston 16, Mass.

★ **Northeast Metals Industries, Inc. (11/16-17)**
Oct. 24 (letter of notification) $300,000 of 6% convertible debentures due Nov. 1, 1963, and 45,000 shares of common stock (par 10 cents) to be offered in units of $100 of debentures and 15 shares of stock. **Price**—$100 per unit. **Proceeds**—For working capital. **Office**—1206 North Front St., Philadelphia, Pa. **Underwriter**—Pearson, Murphy & Co., Inc., New York.

★ **Northrop Aircraft, Inc. (11/30)**
Nov. 3 filed $10,000,000 of convertible subordinated debentures due Dec. 1, 1975. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes, including reduction of bank loans. **Underwriters**—William R. Staats & Co., and Blyth & Co., Inc., both of Los Angeles, Calif.

Norwood Uranium, Inc., Norwood, Colo.
Oct. 21 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Underwriter**—Columbia Securities Co., Denver, Colo.

Old Empire, Inc. (11/16-17)
Oct. 31 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To retire $17,800 of outstanding preferred stock; for equipment, inventory and working capital. **Business**—Chemical specialties. **Office**—865 Mt. Prospect Ave., Newark, N. J. **Underwriter**—Vickers Brothers, New York.

Olive-Myers-Spalti Mfg. Co., Dallas, Tex.
Oct. 24 filed 100,000 shares of cumulative convertible preferred stock (par $6.25) to be offered for subscription by common stockholders on basis of one share of preferred stock for each 2.597 shares of common stock held. **Price** — $9.50 per share. **Proceeds** — For expansion program. **Business** — Manufactures household furniture. **Underwriter**—Dallas Rupe & Son, Inc., Dallas, Texas.

Ottilia Villa, Inc., Las Vegas, Nev.
Aug. 16 (letter of notification) 3,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For South 5th St., Las Vegas, Nev. **Underwriter**—Hennon & Roberts, Las Vegas, Nev.

Pacific International Metals & Uranium, Inc.
Aug. 12 (letter of notification) 12,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—419 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Guss Securities Co., Salt Lake City, Utah.

Pacific Lighting Co. (11/15)
Oct. 26 filed 200,000 shares of cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—Approximately $20,000,000, to repay bank loans and for advances to subsidiaries to finance, in part, the cost of their construction and expansion programs, and for general corporate purposes. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Pandora Uranium Mines, Inc.
July 14 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—530 Main St., Groad Junction, Colo. **Underwriter**—Columbia Securities Co., Denver 2, Colo. and Salt Lake City, Utah.

Paria Uranium & Oil Corp.
Oct. 17 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Newhouse Bldg., Salt Lake City, Utah. **Underwriter** — Western States Investment Co., Tulsa, Okla.

Partridge Canadian Explorations, Ltd.
Sept. 21 (Regulation "D" filing) 500,000 shares of common stock (par $1). **Price**—60 cents per share. **Proceeds**—For exploration and development costs. **Office**—West Toronto, Ont., Canada. **Underwriter** — Hunter Securities Corp. and M. J. Reiter Co., both of New York.

Penn-Utah Uranium, Inc., Reno, Nev.
Aug. 4 (letter of notification) 2,000,000 shares of common stock (par three cents). **Price**—15 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—206 N. Virginia Street, Reno, Nev. **Underwriter**—Philip Gordon & Co., Inc., New York, N. Y.

Pittman Drilling & Oil Co., Independence, Kan.
Sept. 6 (letter of notification) 60,000 shares of 6% non-cumulative preferred stock (par $5) and 60,000 shares of common stock (par 10 cents) to be offered in units of one share of each. **Price**—$5 per unit. **Proceeds**—For payment of note and working capital. **Office**—420 Citizens National Bank Bldg., Independence, Kan. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

★ **Portland Gas & Coke Co.**
Nov. 4 (letter of notification) 5,000 shares of common stock (par $19) to be offered to employees under company's stock purchase plan. **Price**—$25 per share. **Proceeds** — For construction program. **Office** — 920 S. W. Sixth St., Portland, Ore. **Underwriter**—None.

★ **Porto Rico Telephone Co. (11/30)**
Nov. 7 filed 100,000 shares of common stock (par $20), to be offered for subscription by stockholders of record Nov. 29 at the rate of one new share for each four shares held; rights to expire on Dec. 13. The International Telephone & Telegraph Co., the holder of 399,495 shares (99.87%) of the outstanding stock has waived its preemptive rights to purchase any of the new shares. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Postal Life Insurance Co.
Sept. 29 filed 100,000 shares of capital stock being offered for subscription by stockholders of record Oct. 20 at the rate of two new shares for each share held (with an oversubscription privilege); rights to expire on Nov. 21. Of this total 45,500 shares were on Oct. 21 offered publicly for the account of two selling stockholders. **Price**—To stockholders, at par ($2 per share); to public, $20 per share. **Proceeds**—For working capital and other general corporate purposes. **Underwriter** — For company rights offering, none; for stockholder offering, A. C. Allyn & Co. Inc., Chicago, Ill.

★ **Products Publishing Corp.**
Nov. 3 (letter of notification) 810 shares of 7% cumulative preferred stock (par $100) and 9,000 shares of common stock (par $1) to be offered in units of nine shares of preferred stock and 100 shares of common stock. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Business**—To publish a trade magazine. **Office**—39 Pearl St., New York. **Underwriter**—None.

Prospect Hill Golf & Country Club, Inc.
July 8 (letter of notification) 11,900 shares of preferred stock. **Price**—At par ($25 per share). **Proceeds**—For swimming pool, club furnishings and equipment, golf course and organization and develoment expense. **Office**—Bowie, Md. **Underwriter**—L. L. Hubble & Co., Inc., Baltimore, Md.

★ **Puerto Rican Jai Alai, Inc. (11/30)**
Nov. 3 filed 1,250,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To purchase property and for construction of sports stadium, etc. **Business**—Playing of jai alai, with pari-mutuel betting. **Office**—San Juan, Puerto Rico. **Underwriter**—F. H. Crerie & Co., Inc., New York.

Quaker State Foods Corp., Pittsburgh, Pa.
Oct. 6 (letter of notification) 15,000 shares of 7% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds** — To purchase machinery and equipment and for working capital. **Underwriters**—Childs, Jeffries & Thorndike, Inc., Boston and New York; and Syle & Co., New York.

● **Radio Corp. of America (11/17)**
Oct. 28 filed $100,000,000 of 25-year convertible subordinated debentures due Dec. 1, 1980 to be offered for subscription by common stockholders of record Nov. 17 on the basis of $100 of debentures for each 14 shares of stock held; rights to expire on Dec. 5. Warrants will be mailed about Nov. 17. **Price** — To be supplied by amendment. **Proceeds**—For property additions and improvements; for further expansion and development of the corporation's research, manufacturing and service facilities in electronics and related fields. **Underwriters**—Lehman Brothers and Lazard Freres & Co., both of New York.

Radium Hill Uranium, Inc., Montrose, Colo.
July 19 (letter of notification) 625,000 shares of common stock (par one cent). **Price**—32 cents per share. **Proceeds** — For expenses incident to mining operations. **Office**—Bryant Bldg., Montrose, Colo. **Underwriters**—General Investing Corp., New York, N. Y., and Shaiman & Co., Denver, Colo.

Real Estate Clearing House, Inc.
Sept. 14 (letter of notification) 270,000 shares of 7% cumulative preferred stock (par $1) and 135,000 shares of common stock (par five cents) to be offered in units of two shares of preferred and one share of common stock. **Price**—$2.05 per unit. **Proceeds**—For working capital, etc. **Office**—161 West 54th Street, New York, N. Y. **Underwriter**—Choice Securities Corp., 35 East 12th Street, New York, N. Y.

Republic Benefit Insurance Co., Tucson, Ariz.
Sept. 30 filed 150,000 units in a dividend trust and stock procurement agreement to be offered to certain members of the general public who are acceptable applicants and who are to become active policyholders in the company. **Price**—$2 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—None; to be offered by Leo Rich, Robert Kissel and Sidney M. Gilberg, as Trustees.

Richmond Homes, Inc., Richmond, Ind. (11/14)
Oct. 25 filed 140,000 shares of common stock (par $1), of which 80,000 shares are to be sold for the account of the company and 60,000 shares for the account of two selling stockholders. **Price**—To be supplied by amendment. (Proposed maximum offering price is stated to be $5 per share.) **Proceeds**—To prepay a mortgage note, for the organization of a wholly owned acceptance corporation to be used for financing purposes, for plant additions and the purchase of additional equipment, for the purchase of land to be developed as a new subdivision in Richmond, Ind., and for working capital. **Underwriter**—Cruttenden & Co., Chicago, Ill.

★ **Rochester Gas & Electric Corp. (11/23)**
Nov. 4 filed 200,000 shares of common stock (no par) to be offered for subscription by common stockholders on the basis of one new share for each seven shares held on Nov. 25; rights to expire on Dec. 12, unsubscribed shares to be offered to employees up to and including Dec. 9. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—The First Boston Corp., New York.

Rocket Mining Corp., Salt Lake City, Utah
July 15 (letter of notification) 6,000,000 shares of capital stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—530 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid America Securities, Inc., of Utah, 26 W. Broadway, Salt Lake City, Utah.

Rogers Corp., Rogers, Conn.
Oct. 3 (letter of notification) a minimum of 5,883 shares and a maximum of 7,453 shares of class B common stock to be offered to stockholders on a basis of one share for each four shares held. **Price**—($29 per share). **Proceeds**—To replenish working capital due to losses sustained in recent flood. **Underwriter**—None .

San Diego Gas & Electric Co. (11/29)
Nov. 1 filed $18,000,000 of first mortgage bonds, series F, due 1985. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.;; Salomon Bros. & Hutzler; Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly). **Bids**—Expected to be received up to 8:30 a.m. (PDT) on Nov. 29 at Room 1200, 111 Sutter St., San Francisco, Calif.

San Jacinto Petroleum Corp., Houston, Texas
Sept. 20 filed 500,000 shares of common stock (par $1). **Price**—$15 per share. **Proceeds**—For payment of short term loans and other indebtedness; and for general corporate purposes. **Underwriter**—None, sales to be made privately through officers of the company. Statement effective Oct. 10.

San Juan Racing Association, Inc., Puerto Rico.
Sept. 27 filed 4,000,000 shares of common stock (par 50 cents), of which 3,800,000 will be represented by 3,000,000 voting trust certificates and 800,000 warrants. These offerings are to be made in two parts: (1) an offering, at 50 cents per share, of 200,000 shares for subscription by stockholders of record April 30, 1955, on a two-for-one basis; and (2) a public offering of 3,000,000 shares, to be represented by voting trust certificates, at 58.8235 cents per share. **Proceeds**—For racing plant construction. **Underwriter**—None. Hyman N. Glickstein, of New York City, is Vice-President.

San Juan Uranium Exploration, Inc.
Aug. 19 (letter of notification) 925,000 shares of nonassessable common stock (par one cent). **Price**—12 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 718 Kittredge Bldg., Denver, Colo. **Underwriter**—Shelley-Roberts & Co., Denver, Colo.

Sandia Mining & Development Corp.
Sept 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities, Inc. of Utah, Salt Lake City, Utah.

Sayre & Fisher Brick Co., Sayreville, N. J.
Sept. 30 filed 325,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For prepayment of outstanding 5½% sinking fund bonds due 1970; balance for general corporate purposes, including additions and improvements and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York City.

Shenandoah Gas Co., Lynchburg, Va.
Sept. 19 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$7 per share. **Proceeds**—To James L. Carter, President, who is the selling stockholder. **Office**—315 Krise Bldg., Lynchburg, Va. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

★ **Shenandoah Gas Co., Lynchburg, Va.**
Nov. 3 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$7 per share. **Proceeds**—To Mrs. Jewel R. Carter. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

Sheraton Corp. of America
Oct. 31 filed $15,000,000 of 6½% cumulative income subordinated debentures due Nov. 1, 1980 to be offered initially by the company (a) to its stockholders on the basis of $100 principal amount of debentures for each 25 shares of stock then held and (b) to employees of corporation and its subsidiaries. **Price**—$95 per $100 of debentures to stockholders; and at par to public. **Proceeds**—For general corporate purposes. **Office**—Boston, Mass. **Underwriter**—None, but Sheraton Securities Corp., a subsidiary, will handle stock sales.

Siegler Corp., Chicago, Ill. (11/22)
Oct. 31 filed 175,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay remainder of purchase price for the stock of Holly Manufacturing Co. **Underwriters**—William R. Staats & Co., Los Angeles, Calif.; Dominick & Dominick and Bache & Co., both of New York, N. Y.; and Schwabacher & Co., San Francisco, Calif.

Southern Co.
Sept. 30 filed 1,507,303 shares of common stock (par $5) being offered for subscription by common stockholders of record Nov. 1 on the basis of one new share for each 12 shares held; rights to expire on Nov. 22. **Price**—$17.50 per share. **Proceeds**—To repay bank loans and for investment in additional stock of subsidiary companies. **Underwriter**—The First Boston Corp., Ladenburg, Thalmann & Co., Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly), who were awarded the issue on a bid of 13.125 cents per share compensation.

Southern Mining & Milling Co., Atlanta, Ga.
Sept. 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Offices**—Healey Building, Atlanta Ga., and 4116 No. 15th Avenue, Phoenix, Ariz. **Underwriter** — Franklin Securities Co., Atlanta, Ga.

● **Southwestern Financial Corp.**
Sept. 6 filed 770,000 shares of common stock (par 10 cents), being offered for subscription by stockholders of record Nov. 2 at rate of two new shares for each share held (with an oversubscription privilege); rights to expire on Nov. 21. **Price**—$2.25 per share. **Proceeds**—For purchase of machinery and equipment; and for the working capital and general corporate purposes. **Office**—Dallas, Texas. Underwriter — Rauscher, Pierce & Co., Dallas, Texas; and Russ & Co., San Antonio, Texas.

Spirit Mountain Uranium, Inc., Cody, Wyo.
July 29 (letter of notification) 25,200,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—1507-8th Street, Cody, Wyo. **Underwriter**—Utah Uranium Brokers, Las Vegas, Nev.

★ **Sterling Discount Corp., Atlanta, Ga.**
Oct. 27 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$10.50 per share. **Proceeds**—For working capital. **Office**—801 Peachtree St., N. E., Atlanta, Ga. **Underwriters**—Courts & Co., J. W. Tindall & Co. and Hancock, Blackstock & Co., all of Atlanta, Ga., Cabell Hopkins & Co., Columbus, Ga.; and Varnedoe, Chisholm & Co., Inc., Savannah, Ga. **Offering**—Made on Nov. 3. All sold.

Summit Springs Uranium Corp., Rapid City, S. D.
Oct. 3 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Harney Hotel, Rapid City, S. D. **Underwriter**—Morris Brickley, same address.

Sunburst Uranium Corp., Salt Lake City, Utah
Sept. 6 (letter of notification) 2,750,000 shares of nonassessable common stock (par two cents). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—116 Atlas Building, Salt Lake City, Utah. **Underwriter**—Mid America Securities, Inc. of Utah, same City.

★ **Sunshine Orange Groves, Inc., Miami, Fla.**
Nov. 2 (letter of notification) 600 shares of class A stock (par $3) and 400 shares of class B preferred stock (par $100). **Price**—At par. **Proceeds**—For working capital. **Office**—2153 S. W. 10th St., Miami, Fla. **Underwriter**—None.

Susan B. Uranium Corp., Carson City, Nev.
Aug. 11 (letter of notification) 300,000 shares of nonassessable common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—Virginia Truck Bldg., Carson City, Nev. **Underwriter**—Coombs & Co. of Las Vegas, Nev.

Swank Uranium Drilling & Exploration Co.
Aug. 17 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For expenses incident to mining activities. **Office**—Moab, Utah. **Underwriter**—Honnold & Co., Inc., Salt Lake City, Utah.

Sweetwater Uranium Co.
Sept. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Target Uranium Co., Spokane, Wash.
Aug. 12 (letter of notification) 1,000,000 shares of nonassessable common stock (par five cents). **Price**—20 cents per share. **Proceeds** — For mining expenses. **Office** — 726 Paulsen Bldg., Spokane, Wash. **Underwriter** — Percy Dale Lanphere, Empire State Bldg., Spokane, Wash.

★ **Texas American Oil Corp., Midland, Texas**
Nov. 3 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds**—For drilling expenses, etc. **Office**—216 Central Bldg., Midland, Tex. **Underwriter**—Kramer, Woods & Co., Inc., Houston, Tex.

Texas Western Oil & Uranium Co., Denver, Colo.
June 15 (letter of notification) 5,960,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Office** — 407 Denver National Bldg., Denver, Colo. **Underwriter**—Floyd Koster & Co., same address.

★ **Titanium Ventures, Inc., Montpelier, Vt.**
Oct. 24 (letter of notification) 300,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—73 Main St., Montpelier, Vt. **Underwriter**—None.

● **Toro Manufacturing Corp. (11/15)**
Oct. 25 filed 42,099 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each four shares held as of about Nov 14; rights to expire on Nov. 28. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriter** — Piper, Jaffray & Hopwood, Minneapolis, Minn.

Traveler Publishing Co., Inc., Philadelphia, Pa.
Sept. 29 (letter of notification) $247,000 of 5½% convertible debentures, series A, due Sept. 1, 1965 and 24,700 shares of common stock (par 10 cents), to be offered in units consisting of $1,000 of debentures and 100 shares of common stock. **Price**—$1,010 per unit. **Proceeds**—For payment of indebtedness, expansion, establishment of additional offices; professional and editorial

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assistance, advertising and promotion; and working capital. **Office**—Widener Bldg., Philadelphia, Pa. **Underwriter**—Albert C. Schenkosky, Wichita, Kansas.

Travelfares, Inc., Seattle, Wash.
Sept. 14 (letter of notification) 100,000 shares of non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For repayment of loans, working capital, etc. **Office**—1810 Smith Tower, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

Tri-Continental Corp., New York (11/15)
Oct. 27 filed 2,573,508 shares of common stock (par $1), which will be issuable upon exercise of the common stock purchase warrants presently outstanding. **Price**—Each warrant currently entitled the holder to purchase 1.27 shares at $17.76 per share for each one share specified in the warrant certificate.

Tri-State Natural Gas Co., Tucson, Ariz.
July 6 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For expenses incident to oil and gas activities. **Office**—15 Washington St., Tucson, Ariz. **Underwriter**—Frank L. Edenfield & Co., Miami, Fla.

Tunacraft, Inc., Kansas City, Mo.
Aug. 22 (letter of notification) $295,000 principal amount of 6% 12-year registered subordinated sinking fund debentures, dated Sept. 1, 1955 (with stock purchase warrants). **Price**—At par (in denominations of $100 each or multiples thereof). **Proceeds**—To refinance and discharge secured obligation. **Underwriter** — McDonald, Evans & Co., Kansas City, Mo.

Union Corp. of America
Oct. 13 filed 797,800 shares of common stock (no par). **Price**—Proposed maximum offering price per unit is $5 per share. **Proceeds**—To acquire one life and one fire insurance company, and one mortgage loan firm. **Underwriter**—None; shares to be sold through directors and officers.

Union Gulf Oil & Mining Corp.
Sept. 9 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—510 Colorado Bldg., Denver, Colo. **Underwriter**—Honnold & Co., same city.

● United Insurance Co. of America (11/28)
Oct. 28 filed 200,000 shares of common stock (par $2.50), of which 50,000 shares are to be sold for account of company and 150,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Office**—Chicago, Ill. **Underwriters**—R. S. Dickson & Co., Charlotte, N. C., and A. C. Allyn & Co. Inc., Chicago, Ill.

★ United Merchants & Manufacturers, Inc.
Nov. 4 filed 151,734 shares of common stock (par $1) reserved for issuance under the company's Executive Employees Restricted Stock Option Plan, and $500,000 of Interests in the Employees Stock Purchase Plan for 1956 (together with 75,000 common shares for issuance under such latter plan).

★ U. S. Automatic Machinery & Chemical Corp.
Nov. 4 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds** — For general corporate purposes. **Office**—8620 Montgomery Ave., Philadelphia, Pa. **Underwriter**—Columbia Securities Corp., New York.

United States Thorium Corp.
July 21 (letter of notification) 250,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Underwriter**—Doxey-Merkley & Co., Salt Lake City, Utah.

★ United Wholesale Druggists of Portland, Inc.
Oct. 24 (letter of notification) 2,450 shares of common stock (no par). **Price**—$50 per share. **Proceeds** — For working capital. **Office**—322 N. W. 14th Ave., Portland 9, Ore. **Underwriter** — None. Offering to be made to people engaged in the retail drug business.

Universal Service Corp., Inc., Houston, Texas
July 8 filed 500,000 shares of common stock (par two mills). **Price**—$2.50 per share. **Proceeds**—For equipment, mining costs, oil and gas development, and other corporate purposes. **Underwriter** — None. **Offering** — Postponed.

Utah-Arizona Uranium, Inc., Salt Lake City, Utah
Aug. 1 (letter of notification) 600,000 shares of common stock (par 16⅔ cents). **Price**—50 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Greyhound Terminal Building, West Temple & South Temple Streets, Salt Lake City, Utah. **Underwriter**—Trans-Western Brokerage Co., New Orleans, La.

Utah Grank, Inc., Reno, Nev.
Aug. 15 (letter of notification) 270,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining activities. **Office**—312 Byington Bldg., Reno, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

Utore Uranium & Diata, Inc., Vale, Ore.
July 8 (letter of notification) 10,000,000 shares of common stock (par one cent). **Price**—Two cents per share. **Proceeds**—Expenses incident to mining operations. **Office**—Lytle Building, Vale, Ore. **Underwriter**—Hansen Uranium Brokerage, Salt Lake City, Utah.

★ Valley Telephone Co., Silverton, Ore.
Nov. 3 (letter of notification) 10,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To retire outstanding debts and short term notes. **Underwriter**—Daugherty, Butchart & Cole, Inc., Portland, Ore.

★ Virginia Electric & Power Co. (12/6)
Nov. 4 filed 125,000 shares of cumulative preferred stock, 1955 series (par $100). **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received on Dec. 6.

Warrior Mining Co., Birmingham, Ala.
Sept. 29 (letter of notification) 6,000,000 shares of non-assessable common stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office** — 718 Title Guarantee Bldg., Birmingham, Ala. **Underwriter**—Graham & Co., Pittsburgh, Pa. and Birmingham, Ala.

Western Carolina Telephone Co.
Oct. 10 (letter of notification) 18,500 shares of common stock (par $10), to be offered to stockholders through subscription rights on the basis of one share for each five held. **Price**—$12 per share; unsubscribed shares to be purchased by investment bankers at not less than $12 per share. **Proceeds**—For expansion. **Office**—Weaverville, N. C. **Underwriter**—None.

Wheeling Steel Corp. (11/17)
Oct. 28 filed $19,097,800 of convertible debentures due Nov. 15, 1975, to be offered for subscription by common stockholders of record Nov. 16 on the basis of $100 principal amount of debentures for each 10 shares of stock held; rights to expire Nov. 30. **Price**—At par (flat). **Proceeds**—For additions and improvements. **Underwriter**—Kuhn, Loeb & Co., New York.

★ Whitaker Cable Corp., North Kansas City, Mo. (11/23)
Nov. 3 filed $500,000 of convertible sinking fund debentures due Nov. 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans, to acquire additional equipment and for working capital and general corporate purposes. **Underwriter**—Barret, Fitch, North & Co., Kansas City, Mo.

★ William Tell Productions, Inc.,
Nov. 4 (letter of notification) 147,500 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To repay loan; for acquisition of new show properties; for production of pilot films or kinescope records; and for capital reserves, etc. **Office**—135 Central Park West, New York. **Underwriters**—None; sales to be handled by William T. Clemons, President.

Wisconsin Southern Gas Co., Inc.
Oct. 20 filed 20,818 shares of common stock (par $10), to be offered for subscription by stockholders on the basis of one new share for each four shares held as of Nov. 3; rights to expire on Nov. 29. **Price** — $16.50 to stockholders; and $17.50 to public. **Proceeds**—To repay bank loans and for extensions and improvements to property. **Office** — 235 Broad St., Lake Geneva, Wis. **Underwriters** — The Milwaukee Co., Milwaukee, Wis.; and Harley, Haydon & Co., Inc. and Bell & Farrell, Inc., both of Madison, Wis.

Wonder Mountain Uranium, Inc., Denver, Colo.
Aug. 12 (letter of notification) 2,380,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—414 Denver Nat'l Bldg., Denver, Colo. **Underwriter**—Floyd Koster & Co., Denver, Colo.

Woodrow Douglas Oil Co., Pecos, Texas (11/14)
Oct. 24 (letter of notification) 75,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For expansion and working capital. **Office**—1320 West Third St., Pecos, Tex. **Underwriter** — Eisele & King, Libaire, Stout & Co., New York.

Woods Oil & Gas Co., New Orleans, La.
Aug. 29 filed 250,000 shares of common stock (par $5). **Price**—$8 per share. **Proceeds**—For retirement of debt; revision of corporate structure, etc. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill. **Offering**—To be withdrawn.

Wyoming-Gulf Sulphur Corp.
Oct. 10 filed 971,000 shares of capital stock (par 10 cents), of which 700,000 shares are for company's account and 271,000 shares for account of two selling stockholders. **Price**—On the over-the-counter market at then prevailing price, but not less than $2 per share. **Proceeds**—For auxiliary equipment for Cody plant, for acquisition of additional site, and related activities.

Wyton Oil & Gas Co., Newcastle, Wyo.
Sept. 29 filed 254,000 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To August Buschmann, of Seattle, Wash., and members of his family. **Underwriter**—None.

Yellowknife Uranium Corp.
Aug. 19 filed 1,000,000 shares of common stock (par one cent), of which 700,000 shares are to be sold for account of company and 300,000 shares for account of Stancan Uranium Corp. **Price**—$1.50 per share. **Proceeds**—For payments under purchase and option agreements for claims; for working capital and reserve funds; and for other general corporate purposes. **Office** — Toronto, Canada. **Underwriters**—Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc., both of New York City. **Offering**—Indefinitely postponed.

Zenith-Utah Uranium Corp.
Sept. 14 (letter of notification) 6,000,000 shares off class A common stock. **Price**—At par (five cents). **Proceeds**—For mining expenses. **Office**—45 East Broadway, Salt Lake City, Utah. **Underwriter**—Bel-Air Securities Corp., same city.

Prospective Offerings

Atlanta Gas Light Co. (12/14)
Oct. 11 it was reported company plans early registration of 30,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Stone & Webster Securities Corp.; Shields & Co.; Equitable Securities Corp and Union Securities Corp. (jointly). **Bids**—Expected about Dec. 14.

Atlantic City Electric Co.
Aug. 1, B. L. England, President, announced that the directors are now considering the sale to the public of a small amount of common stock (not more than 75,000 shares) early next year. **Underwriters**—Probably Union Securities Corp. and Smith, Barney & Co., both of New York.

● Atlas Plywood Corp.
Oct. 12 it was announced company plans to issue and sell $3,000,000 of 5% sinking fund debentures and $3,000,000 of 5½% convertible subordinated debentures. **Proceeds**—To increase inventory and to retire subsidiary indebtedness. **Meeting**—The stockholders on Nov. 2 voted to approve a proposal to increase the authorized common stock from 1,400,000 shares to 2,400,000 shares to provide for exchange of stock for minority shares to Plywood, Inc., for conversion of proposed new debentures and for possible future acquisitions of property. **Underwriter**—For convertible debentures, may be Van Alstyne, Noel & Co., New York. **Offering**—Expected before end of 1955.

Barium Steel Corp.
Sept. 12 it was reported that early registration is expected of $8,000,000 of subordinated debentures due 1970. **Proceeds**—Together with funds from private sale of $3,000,000 of notes or debentures, to be used for general corporate purposes. **Underwriter**—Lee Higginson Corp., New York.

Boston & Maine RR.
Oct. 20 stockholders approved a plan to offer $105 principal amount of series B 5% income debenture bonds (plus 5% interest for the year 1955) in exchange for each of the outstanding 274,597 shares of 5% preferred stock (par $100). Not in excess of $28,874,564 of bonds would be issued.

Bunte Brothers Chase Candy Co.
Oct 27 it was announced that stockholders on Nov. 4 were to vote on creating an authorized issue of 240,000 shares of cumulative prior preferred stock (par $5) and on increasing the authorized common stock from 1,575,000 shares to 2,000,000 shares. **Underwriter**—May be F. S. Yantis & Co. Inc., Chicago, Ill.

Campbell Chibougamau Mines, Ltd.
Aug. 15 it was reported a secondary offering of about 150,000 shares of common stock will be registered with the SEC. **Business**—Company, recently formed, is a copper mining undertaking on Merrill Island, Quebec, Canada. **Underwriter**—Allen & Co., New York. **Offering**—Not expected for three or four weeks.

★ Citizens & Southern National Bank, Atlanta, Ga.
Nov. 8 the directors recommended the sale of 100,000 additional shares of common stock (par $10) to stockholders on the basis of one new share for each nine shares held (subject to approval of stockholders in January). **Price** — $30 per share. **Proceeds** — To increase capital and surplus.

Columbus & Southern Ohio Electric Co.
Oct. 25 it was announced that contingent on favorable market conditions the company plans to sell to underwriters early in December a maximum of 250,000 new common shares. **Proceeds**—To finance electric plant expansion. **Underwriters**—Dillon, Read & Co. Inc., New York; and The Ohio Company, Columbus, Ohio.

Consolidated Edison Co. of New York, Inc. (12/6)
Nov. 1 it was announced company expects to sell $70,000,000 first and refunding mortgage bonds, series K, due Dec. 1, 1985. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

Craig Systems, Inc.
Sept. 26 it was reported company plans early registration of 175,000 shares of common stock, of which 50,000 shares are to be sold for the account of the company and 125,000 shares for account of certain selling stockholders. **Underwriter** — Hemphill, Noyes & Co., New York.

Delaware Power & Light Co. (12/13)
Sept. 28 it was announced company plans to sell by mid-December $10,000,000 of bonds and $5,000,000 of preferred stock and also expects to undertake some common stock financing early in 1956. **Proceeds**—To repay bank loans and for construction program, which includes two plants which will cost approximately $40,000,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Union Securities Corp.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. (2) For common stock (which may be first offered to stockholders)—W. C. Langley & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Carl M. Loeb, Rhoades &

Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers. (3) On preferred stock—Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—Expected to be received on Dec. 13.

Du Mont Broadcasting Corp.
Aug. 10 it was announced that corporation, following issuance on Nov. 14 to stockholders of Allen B. Du Mont Laboratories, Inc. of 944,422 shares of common stock as a dividend, contemplates that additional shares will be offered to its stockholders. This offering will be underwritten. Kuhn, Loeb & Co. and Van Alstyne, Noel & Co. handled Du Mont Laboratories class A stock financing some years ago. Stockholders of Laboratories on Oct. 10 approved formation of Broadcasting firm.

Essex County Electric Co.
July 18 it was reported company plans to issue and sell some additional first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blair & Co. Incorporated.

Florida Power Corp.
April 14 it was announced company may issue and sell between $10,000,000 and $12,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; and The First Boston Corp. **Offering**—Expected early in 1956.

● Ford Motor Co., Detroit, Mich.
Nov. 6 it was announced a public offering of class A common stock is expected shortly after Jan. 1, 1956. It is said that the stock to be sold will be 6,952,293 shares (or 15% of the 46,348,620 shares to be owned by the Ford Foundation following reclassification of the stock). **Price**—It was reported that the offering price was expected to be around $60 to $70 per share. **Underwriters**—Expected to include four or five of the leading investment banking firms in the country.

Fresnillo Co.
Oct. 27 it was announced stockholders will vote Nov. 22 on increasing authorized common stock from 1,050,000 shares to 2,100,000 shares to provide for new possible financing in connection with proposed acquisition of mining properties in Mexico.

Gulf States Utilities Co.
May 16 it was reported company may issue and sell $10,000,000 first mortgage bonds if market conditions permit. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp.

Houston (Texas) Gas & Oil Corp.
Aug. 26, company applied to the FPC for authority to construct a 961-mile pipe line from a point near Baton Rouge, La., to Cutler, Fla., to cost approximately $110,382,000. It plans to issue and sell $81,200,000 of bonds, about $20,000,000 of 5½% interim notes (convertible into preferred stock), and over $8,700,000 of common stock. Stock would be sold, together with the notes, in units. **Underwriters**—Discussions were reported to be going on with Blyth & Co., Inc., San Francisco, Calif., and Scharff & Jones, Inc., New Orleans, La.

Houston Lighting & Power Co.
Oct. 31 it was reported company may sell early next year about $30,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers, Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; Equitable Securities Corp. **Offering** — Expected in February or March.

★ Inland Steel Co.
Nov. 3, Joseph L. Block, President, announced that a substantial portion of the required funds for the company's expansion program (estimated to cost approximately $260,000,000 for three-year period 1956-1958) will be derived from retained earnings and depreciation reserves. However, he stated, it will also be necessary to secure a large portion through public financing. It is quite likely that a major part will be in the form of debt financing. No such financing is contemplated during the current year, nor have the times or methods of financing been definitely determined. **Underwriter** — Kuhn, Loeb & Co., New York.

Minute Maid Corp.
Nov. 2 it was announced company plans to issue and sell publicly 400,000 additional shares of common stock. **Proceeds**—To take care of expanding volume of business. **Underwriters** — Paine, Webber, Jackson & Curtis and White, Weld & Co., both of New York, handled stock financing early in 1950.

★ Missouri Pacific RR. (12/1-8)
Bids are expected to be received by the company on Dec. 1 or Dec. 8 for the purchase from it of $2,625,000 equipment trust certificates due to 1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

★ National Propane Corp.
Nov. 8, H. N. Forman, President, announced that the company plans an initial public offering of equity securities. **Proceeds** — Together with funds from private sale of $5,000,000 of 4¾% 15-year notes, to be used to acquire bottled gas business of Sheel Oil Co. in the Middle West. **Office** — New Hyde Park, N. Y. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

New Jersey Bell Telephone Co. (12/14)
Sept. 30 it was announced company has petitioned the New Jersey P. U. Commission for authority to issue and sell $25,000,000 of new debentures due 1995. **Proceeds**—For expansion program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Shields & Co.; Kuhn, Loeb & Co.; White, Weld & Co. **Bids**—Expected to be received on Dec. 14. **Registration**—Planned for Nov. 18.

New Orleans Public Service Inc. (1/11)
Oct. 24 it was reported company plans sale of 60,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Equitable Securities Corp. and Union Securities Corp. (jointly); Blair & Co. Incorporated. **Bids**—Expected on Jan. 11.

★ New York Central RR.
Nov. 8 it was announced company plans to issue and sell $6,600,000 of equipment trust certificates to mature annually Dec. 15, 1956-1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Northern Pacific Ry.
Sept. 30 it was reported that the company plans the issue and sale late in November of $1,755,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Northern States Power Co. (Minn.)
March 29 it was announced that new capital requirements for 1955 will approximate $31,000,000. Present plans contemplate these funds will be obtained temporarily from short-term bank loans to be repaid from proceeds of the sale of additional bonds late in 1955 or early 1956. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); Glore, Forgan & Co.

Pennsylvania Electric Co. (12/20)
Oct. 28 it was reported company plans to issue and sell about $20,700,000 of first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.; Harriman Ripley & Co., Inc. **Bids**—Expected Dec. 20.

Pennsylvania Electric Co.
Nov. 7 it was reported company proposes issuance and sale of $8,000,000 of preferred stock early next year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Smith, Barney & Co.; Harriman Ripley & Co. Inc.

Pigeon Hole Parking of Texas, Inc.
Oct. 22 it was announced that about 800,000 shares of additional capital stock would be offered for public sale after the first of next year. **Proceeds** — Estimated at about $2,000,000, will be used to pay for expansion program. **Underwriters**—Porter, Stacy & Co., Houston, Tex.; and Muir Investment Corp., San Antonio, Tex.

Pike County Natural Gas Co.
Oct. 17 it was reported company plans to sell about $600,000 of common stock. **Underwriter**—Bache & Co., New York.

★ Prudential Loan Corp.
Oct. 31 it was reported company, formerly known as Glen Roger Credit, Inc., plans to issue and sell 111,000 shares of cumulative prior preferred stock and 55,500 shares of common stock in units of two shares of preferred stock and one share of common stock. **Price**—$13.50 per unit. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill.

Puget Sound Power & Light Co.
April 5, Frank McLaughlin, President, said that "it will be necessary in 1955 to obtain funds for construction purposes from outside sources—at least to the extent of several million dollars." Stockholders on Oct. 20 authorized the issuance of an additional $25,000,000 first and refunding mortgage bonds, but company announced it has no present plans to issue or sell any bonds under this mortgage. The company has scheduled a large-scale expansion program, involving $80,000,000 in order to keep abreast of estimated load growth over the next five years. **Underwriters** — Probably Stone & Webster Securities Corp., The First Boston Corp. and Smith, Barney & Co. Halsey, Stuart & Co. Inc., is reported to head a group to bid for approximately $25,000,000 of bonds.

Pure Oil Co.
April 9 stockholders approved the possible issuance of a convertible debenture issue. This would not exceed $50,000,000 and would be issued at the discretion of the directors any time within the next 12 months. **Underwriter**—Probably Smith, Barney & Co., New York.

★ Reading Tube Corp. (12/5-9)
Nov. 7 it was reported company plans to issue and sell 120,000 shares of $1.25 cumulative convertible preferred stock (par $20). **Price**—To be named later. **Proceeds**—To retire outstanding funded debt. **Underwriter**—Emanuel, Deetjen & Co., New York. **Registration**—Expected this week.

Revlon Products Corp., New York (12/15)
Oct. 31 it was reported early registration is planned of $4,000,000 to $5,000,000 of capital stock. **Proceeds** — To selling stockholders. **Underwriter**—Reynolds & Co., New York. **Offering**—Expected about the middle of December.

★ Riddle Airlines, Inc.
Nov. 2 it was announced company plans soon to offer to its stockholders the right to subscribe for 1,200,000 additional shares of common stock (with an oversubscription privilege). **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Scott Paper Co.
Sept. 20, Thomas B. McCabe, President, announced a major financing program will probably be undertaken by next spring. No decision has yet been reached as to the precise type, amount or date of financing. Stockholders approved proposals to increase the authorized common stock to 40,000,000 shares from 10,000,000 shares and the authorized indebtedness to $150,000,000 from $50,000,000. **Proceeds**—For expansion program.

South Texas Oil & Gas Co.
Aug. 30 stockholders authorized issuance of 110,000 shares of cumulative convertible preferred stock (par $10). **Proceeds**—For exploration and drilling program, etc. **Underwriter**—Previous common stock financing was handled by Hunter Securities Corp., New York, who it is stated, will not underwrite the new preferred issue.

● Southern Nevada Telephone Co.
Nov. 7 it was announced company plans to sell approximately $10,000,000 of new securities in 1956. **Proceeds**—For construction program. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

Sterling Precision Instrument Corp.
June 6 the stockholders voted to approve an authorized issue of 500,000 shares of first preferred stock (par $10), of which 300,000 shares (to be convertible into common) are to be publicly offered. **Proceeds**—For working capital. **Office**—Buffalo, N. Y.

Texas Industries, Inc.
Oct. 11 stockholders authorized a new issue of 30,000 shares of new common stock (no par value), of which it is planned to initially issue 10,000 shares bearing a $5 dividend and having a redemption value of $105 per share. **Proceeds**—For expansion program. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas, Tex.

★ Union of South Africa (12/12-16) [illegible]
Nov. 7 it was reported an issue of $25,000,000 bonds (comprising serials and a 10-year term issue) is expected to be publicly offered. **Proceeds**—Together with $25,000,000 to be borrowed from the World Bank, will be used to improve transportation facilities and to reimburse the government for funds already advanced for this purpose. **Underwriter**—Dillon, Read & Co., New York.

Van Norman Co.
Oct. 25, it was announced stockholders on Nov. 30 will vote on approving a change in name of company to Van Norman Industries, Inc. and on creating an authorized issue of 400,000 shares of $2.28 convertible preferred stock (cumulative to the extent earned). **Proceeds**—For acquisitions. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

● Western Maryland Ry. (11/15)
Oct. 10 stockholders approved a plan authorizing the issuance of an additional 128,597 shares of common stock and changing the par value of the common shares from $100 per share to no par value. The plan calls for the offering to each stockholder of record Nov. 15 of the right to purchase one new common share for each six shares of stock owned, regardless of class (Baltimore & Ohio RR. would subscribe for 55,000 shares); rights to expire on Dec. 1. **Underwriters**—Morgan Stanley & Co., New York, and Alex. Brown & Sons, Baltimore, Md.

Western Natural Gas Co.
Oct. 31 it was reported company plans some new financing in near future. **Underwriter**—White, Weld & Co., New York.

Westpan Hydrocarbon Co.
March 2 it was announced Sinclair Oil Corp. has agreed with the SEC to divest itself of its investment of 384,380 shares of Westpan stock (52.8%). The time in which Sinclair may sell their holdings has been extended by SEC to Dec. 21, 1955. **Underwriters**—Union Securities Corp., New York, underwrote recent sale of Sinclair's holdings of Colorado Interstate Gas Co. White, Weld & Co., New York, may be included among the bidders.

York County Gas Co., York, Pa.
June 29 it was announced company contemplates the issuance and sale later this year of a new series of its first mortgage bonds, in an aggregate amount not yet determined. **Proceeds**—To pay for new construction and probably to refund an issue of $560,000 4¾% first mortgage bonds due 1978. **Underwriter**—May be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; A. C. Allyn & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly). It is also possible that issue may be placed privately.

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Dealer-Broker Investment Recommendations & Literature

Equitable Credit Corp. — Bulletin — General Investing Corp., 80 Wall Street, New York 5, N. Y.

Fuji Iron & Steel — Analysis in current issue of "Weekly Stock Bulletin" — Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also in the same issue is a brief study of **Nihon Kokan.**

Gulf Coast Leaseholds, Inc.—Circular—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 6, N. Y. Also available is a circular on **Pacific Uranium Mines Co.**

Hammermill Paper Company—Bulletin—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Lanolin Plus, Inc.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Morrison Knudsen Company, Inc.**

Liberty Products Corp. — Memorandum — White & Company, Mississippi Valley Building, St. Louis 2, Mo.

Lisbon Valley Uranium—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y.

Manufacturers Trust Co. — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

National Uranium Corporation—Analysis—M. J. Reiter Company, 60 Wall Street, New York 5, N. Y.

Peabody Coal Company — Analysis — Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

N. V. Philips Gloeilampenfabrieken—Extended stndy in book form—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Poor & Company—Bulletin—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Riverside Cement Co.—New views—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Tidelands Royalty Trust B—Circular—Garrett and Company, Fidelity Union Life Building, Dallas 1, Tex.

United States Lithium Corporation — Card Memorandum — Julius Maier Co., Inc., 15 Exchange Place, Jersey City 2, N. J.

Valley National Bank of Phoenix—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Worthington Corporation—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. In the same bulletin are data on **California Oil Producers.**

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Current Developments at the SEC

dealers. In addition to this, we carefully watch activities on the exchanges themselves. A considerable volume of reports and statistical material comes to us regularly from the exchanges, covering short selling, the activities of floor traders, and similar matters. These are published in the Commission's Monthly Statistical Bulletin. Beyond this we maintain a "market surveillance unit" in our New York Regional Office which watches the recorded transactions on the New York exchanges as they come over the ticker, and the quotations in the over-the-counter market as they are published in the National Quotation Sheets, for the purpose of detecting activity in any security which does not appear to be based on economic factors and may indicate the presence of manipulation. When such a question arises, this "market surveillance unit" conducts a "flying quiz" with respect to the transactions in the particular security. In the "flying quiz" the identities and activities of purchasers and sellers are ascertained and reviewed. The market surveillance unit also investigates complaints coming to us from all sources concerning possible manipulative activity. Ordinarily none is found. But we feel that the very existence and activity of this surveillance group has a powerful deterrent effect on possible market manipulation. And on those rare occasions when a manipulation can be proved, the civil and criminal sanctions of the Exchange Act can be brought to bear. The statute provides a maximum penalty of $10,000 fine and imprisonment for two years in a Federal penitentiary on conviction of manipulating the market, which is perhaps one reason why there are so few manipulation cases nowadays.

In addition to these direct controls, the light of full disclosure is brought to bear on many market activities where formerly inequitable practices flourished under the cover of darkness. Issuers of securities listed on national securities exchanges file with us and make available to the exchanges and thus to the investing public comprehensive reports of their financial condition as well as of events of major significance to investors. "Insiders" — that is officers, directors and 10% stockholders—report currently to the Commission and the exchanges changes in their ownership of their company's securities, which are published in the Commission's monthly bulletin on Ownership Reports, and "insiders" are required by Section 16(b) of the Exchange Act to pay over to the company profits realized by them on short-swing trading.

We feel that by all these methods the Commission, working in collaboration with the securities exchanges and the securities industry, has come a long way toward providing for investors an orderly market, free of manipulation, deception and other unfair practices. Public confidence in the integrity of the securities markets is high and sustained and these markets are in a better position than ever before to perform their important function of channeling the savings of the public into productive corporate enterprises.

I do not mean to suggest that there are no violations of law going on, or that those that do occur are all detected by the Commission. That would be too much to expect of any law enforcement agency, particularly one cooperating in the national policy of reducing the expenses of the Government. But I do mean to say that with the limited funds and personnel available to the Commission much has been accomplished.

Senate Stock Market Investigation

Now let me tell you a little about some of our work which results from the stock market investigation conducted by the Senate Banking and Currency Committee last winter. In a report issued by the Committee in May, several areas for further examination by the Committee and by the Commission were suggested. Among these were the regulation of proxy soliciting activities of companies whose securities are listed on the exchanges. Problems arising out of the contests for control of some of the nation's large corporations which have been waged in recent years are very much in the spotlight.

Generally speaking the Commission's proxy rules have worked well in relation to the soliciation of proxies where there has been no contest. But criticism has been leveled at our rules as they have been applied in proxy contests. One of these, which the Commission has felt for some time should be remedied, is that the rules have not spelled out precisely who and what they covered when contests are involved.

It is said that the Commission's proxy rules do not elicit sufficient information concerning the background and motivation of persons who seek to wrest control of a corporation from its management. It has also been suggested that the Commission is not able to deal promptly with the many situations which arise in complicated and hard fought proxy contests. To meet this problem, it has been suggested that the Commission should be given by the Congress more specific power than it now has to stop by administrative order violations of its rules and to compel such remedial action as may be appropriate in the circumstances. At present the Commission cannot by its own administrative authority prevent the use of misleading soliciting material or compel the correction of such material. The Commission's only remedy now is to go into the Federal courts and ask for an injunction against the use of misleading proxy material or the voting of proxies obtained from stockholders by the use of misleading material.

To solve the first two problems, the Commission has announced a proposed revision of its proxy rules, designed to spell out precisely the persons, activities and the soliciting literature which the Commission deems to be subject to the proxy rules. The proposals are intended to state more specifically the administrative policies of the Commission in regard to proxy contests. They specify the persons who would be deemed to be participants in the solicitation and would require the filing with the Commission of comprehensive information regarding their interest in and connection with the issuer, and as to their background. The proposed rules would also spell out in some detail the types of representation which in the past have created difficult problems of administration.

The Commission, as a governmental body charged with the responsibility of preventing misleading statements, is obligated to object to misrepresentations in the solicitation of proxies of companies under its jurisdiction. We are considering the many comments and suggestions received from interested persons and the public and made in the press.

Regulation A and D, and "Penny Stocks"

Third, another concern of the Senate Committee and the Commission is the growth of speculative enthusiasm for penny stocks. We are, therefore, in the process of revising our rules pertaining to securities which, because the amount offered in any one year does not exceed $300,000, fall under the conditional exemption provided by the Securities Act.[5] The proposed revision pertains primarily to "promotional" companies.

We are aware that our regulation of the offering of these promotional issues should take into consideration the exemption which the Congress specified should be available. We recognize the necessity and desirability of not interfering with the raising of capital for speculative exploratory purposes in the extractive industries, such as oil and mining. But we also recognize that the exemption provided by the Congress was conditioned and was not intended to free issuers and underwriters of such securities of all regulation whatsoever.

There are difficult questions of judgment to be decided in acting upon our pending revisions of Regulations A and D. The Commission has been greatly aided in its consideration over the past few months of this difficult problem by the work of the Subcommittee on Commerce and Finance of the Interstate and Foreign Commerce Committee of the House of Representatives. The Subcommittee has been considering a bill introduced by Representative John Bennett of Michigan to repeal Section 3(b).[6] The Subcommittee has held hearings on the problem in Washington, Denver and Salt Lake City and is holding hearings next week in New York. There is certainly a great deal to be said in favor of requiring issuers and underwriters of speculative promotional issues to comply with the registration provisions of the Securities Act. One particular advantage of requiring registration, rather than continuing the conditional exemption techniques which the Commission has permitted under present regulations, is that the issuer and underwriter would be subject to the civil liability provisions of Section 11 of the Act for misstatements and omissions of material facts required to be set forth in the registration statement.

We are determined that our revision of these regulations shall reflect the Commission's best judgment as to how investors in new issues of securities of the speculative promotional type can be given a fair disclosure of the pertinent business and financial information in accordance with statutory standards without strangling the capital market for such issues. But I for one have never been aware that the registration requirements of the Act strangled legitimate capital formation, even for speculative purposes.

The Fulbright Bill

Fourth, the Commission is engaged in an objective factual study of the provisions and possible effects of the so-called Fulbright Bill.[7] This bill, which was introduced in the Senate by Senator J. William Fulbright of Arkansas, Chairman of the Committee on Banking and Currency, and its counterpart[8] introduced in the House by Representative Arthur G. Klein of New York, would subject companies whose securities are not traded on the stock exchanges to the financial reporting, proxy and insider trading requirements of the Exchange Act.

Shortly after the bill was introduced in the Senate, the Commission was asked to report on it to the Senate Committee. The Commission stated that it agreed with the broad principle of the bill but could not take a definitive position on such short notice and without careful study of the possible effect of the bill.

One problem raised by the bill which is of particular concern to the Commission is the question whether the application of the insider short term trading provisions of the Act to the securities of many of the smaller companies, which would be brought within the Commission's jurisdiction, would be detrimental to the maintenance of orderly and adequate markets for these securities. The Commission feels that an answer to this question is important to any conclusion as to the public interest and investor protection which would be served by enactment of the bill.

The Commission will shortly mail to about 2,000 corporations which it believes would be subject to the bill, if enacted, a letter asking two questions: (1) whether the company has within the past three years sent an annual report to its stockholders and requesting a copy; and (2) whether management has sent proxy soliciting material to stockholders and requesting a copy. The Commission hopes that on the basis of the information thus obtained and other information available it may be in a position to report to the Congress at the next session. It is hoped that officials of the companies concerned will cooperate with the Commission to the end of permitting as comprehensive, factual and objective a study as is possible.

New Securities Registration Amendments

Finally, before closing I will touch on another subject with which the Commission is presently dealing. That is the implementation by new rules and forms of the 1954 amendments of the securities acts. These amendments of the law had as a main purpose broader freedom in disseminating to the investing public pertinent information about new issues of securities prior to their actual sale.

The Commission has already adopted several new rules for this purpose. One of these permits communication by issuers to their security holders of information regarding forthcoming rights offerings.[9] Another enlarges the types of information which may be included in the so-called "tombstone" ad.[10] Another will give express sanction for the use by underwriters and dealers of the so-called "new issue" cards, which are prepared by statistical service organizations.[11] We are also working on a draft of a proposed summary prospectus rule for use by underwriters and dealers to advise prospective investors more fully regarding proposed offerings. It is hoped that such a summary prospectus may be relatively short in size which may be conveniently and inexpensively sent through the mails. The Commission feels that the adoption of these rules, the development of appropriate practices by underwriters and dealers under these rules, will give greater freedom to issuers, underwriters and dealers in approaching members of the public with new issues.

5 Securities Act Release No. 3555.

6 H. R. 5701, 84th Congress, 1st Session (April 20, 1955).

7 S. 2054.

8 H. R. 7845.

9 Rule 135, Securities Act Release No. 3568.

10 Rule 134, Securities Act Release No. 3568.

11 Rule 434, Securities Act Release No. 3576.

Our Reporter's Report

This was one of those weeks that occasionally grips the underwriting business, and the financial community in general, in a manner that slows things down perceptibly. Tuesday found the major securities markets in New York recessed for Election Day.

And on Friday (Veterans Day), although the markets will be open for business under the schedule adopted a little over a year ago, operations will be curtailed materially by the halt in trading in U. S. government issues over-the-counter.

Many of the larger firms which handle underwritings as well as commission business will be down to skeleton forces for the day, the customary procedure in the circumstances.

A good part of the week was given over to discussion of the up and coming sale of Ford Motor Co. stock by the Ford Foundation, which will mark another milestone in the transition from family-owned to publicly-owned corporations.

This huge deal, involving reclassification of existing shares and the offering of seven million shares of new class A voting stock to the public, will make grist for the mill in the weeks ahead.

At the moment the major speculation is over the identity of the investment banking houses which will head up the underwriting group. Since distribution on a wide scale is the overwhelming aim, several firms stand out.

But constituting the largest equity offering on record, it goes without saying that the rank and file, with few exceptions, will have a part in the business.

Money Rate Outlook

Potential borrowers were given a word of assurance on the outlook for money rates by Dr. Roy L. Reierson, Vice-President of Bankers Trust Co. in his remarks before the American Institute of Real Estate Appraisers this week.

Discounting the idea that we are in the midst of a long-term rising trend in interest rates, he ventured the opinion that, instead, the decade ahead will find long-term rate fluctuating around recent levels.

He noted, however, that the the heavy capital requirements in prospect for years ahead are likely to prevent a return of the long-term interest rates to levels prevailing in the deep depression or under "regimented and control" credit markets.

Good Week Ahead

Market observers are not disposed to look for anything approaching boom conditions in the new issue market between now and the close of the year. But next week, none-the-less, looks like a pretty good one from the standpoint of the underwriters.

Several large issues are slated for market, including two by the negotiated route. Bankers are slated to offer $15 million of National Tea Co. 25-year debentures on Tuesday and on the same day a second group will be offering 200,000 shares of new preferred stock of Pacific Lighting Corp.

New England Telephone & Telegraph Co., also has $30 million of 36-year debentures up for bids with three large groups scheduled to seek the business.

On Thursday Radio Corp.'s $100 million of debentures and Wheeling Steel's $19 million of debentures will be offered initially to shareholders of those corporations with banking groups standing by to take up any unsold balances. Commonwealth Edison Co. shares, unsubscribed by stockholders, will be offered by bankers.

Northrop Debentures

Growth of the aircraft industry and consequent need for funds for expansion is starting to make itself felt in the capital market. Northrop Aircraft Inc., has gone into registration with an issue of $10 million convertible subordinated debentures of 20-year maturity.

Proceeds from the projected public offering, expected within a fortnight or so, will be added to general funds.

The issue is to be redeemable at the option of the company and will have the benefit of a sinking fund. The debentures are convertible into common stock at the holder's option.

Moder-Rate Homes Stock at $1 a Share

William T. Bowler & Co., Bradford, Pa., is publicly offering an issue of 300,000 shares of common stock (par 25 cents) of Moder-Rate Homes, Inc. at $1 per share as a speculation.

The net proceeds are to be used to pay for design and construction of first 20 homes; for promotion, advertising and administration expense; for acquisition of property which the corporation has had under option or in event option is not exercised acquisition of other property suitable for development purposes; and for contingent fund.

The corporation was organized in Delaware on June 9, 1955. Its principal office is located at 309 I.O.O.F. Building, 2 Main Street, Bradford, Pa.

The corporation intends to devote its business activities now to the planning, construction, and development of communities of moderately priced homes in such locations throughout the country as management feels are suitable and desirable for this purpose.

The corporation's first community of homes will be constructed in Oslo Park, Indian River County, Fla.

The corporation presently owns 20 lots, each measuring 50 feet by 100 feet and it has entered into an option agreement to purchase 1,000 additional lots in Oslo Park.

Giving effect to the new financing, there will be outstanding 359,000 shares out of an authorized issue of 1,000,000 shares.

Chesapeak & Ohio Ry. Equipments Offered

Halsey, Stuart and Co. Inc. and McMaster Hutchinson & Co., on Nov. 4 offered $4,800,000 of Chesapeake & Ohio Ry. Co. 3% serial equipment trust certificates, maturing annually Aug. 1, 1956 to 1970, inclusive. The offering, representing the second and final instalment of an issue not exceeding $8,400,000, was awarded to the bankers on Nov. 3 on a bid of 99.048%.

The certificates are scaled to yield from 2.85% to 3.125%, according to maturity. Issuance and sale of the certificates are subject to the amortization of the Interstate Commerce Commission.

The entire issue of certificates is to be secured by 938 50-ton box cars, estimated to cost $10,537,876.

Chicago Analysts to Hear

CHICAGO, Ill.—M. J. Spiegel, Chairman of Spiegel, Inc., will be speaker at the luncheon meeting of the Investment Analysts Society of Chicago to be held Nov. 17 at 12:15 p.m. in the Adams Room at the Midland Hotel.

With H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Albert J. Lucchesi has become affiliated with H. L. Jamieson Co., Inc., Russ Building.

Schwabacher Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Rodney G. Mason is now with Schwabacher & Co., 100 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Rep. Wright Patman's automation hearings are now out of the way and it is possible to describe the fruits thereof.

This show was said to have been written largely to please a couple of the more influential labor union leaders who wanted another extravaganza put on like Senator Joe O'Mahoney's four triple-length feature investigation of the big bad capitalists of the 1930's who were replacing hungry men with heartless machines. This earlier show was produced by the special group styled the "Temporary National Economic Committee."

However, it appeared to some of the leaders to be a little difficult to be sounding off all the time for the inflatingly-expanding economy and at the same time talking against the installation of machines to expand production. So they settled for a little side-show to be MC'd by the gentleman from Texas under the smaller tent of a subcommittee of the Congressional Joint Committee on the Economic Report.

Observers who attended most of the hearings said that the only Democrat who was present was Rep. Patman, and the only Republican, not a member of the committee, was an administrative assistant to a GOP Senator. This does not preclude for certain that some other member of the committee might not have struck his nose in the door when the observers themselves were playing hooky, or were out of the room doing other things.

All in all, there were somethings like 25 witnesses who enjoyed pontificating their views before this solemn forum. The witnesses were the downtrodden labor boys who issued from their fancy new marble palaces for the purpose, some economists, some spokesmen of industry, and some engineers.

Helps Uneasiness

One thing the subcommittee hearings may have accomplished is to give industry a vague foreboding that machinery was not to be included in the concept of the progressive, dynamic, forward-looking economy, at a time when industrialists were getting a little breathing spell from political haranguing.

However, the hearings did accomplish another purpose. It provided a seed-planting expedition for a few radical ideas. Many radical ideas do not germinate in such presently favorable economic climes, but spread them on the ground and they stay there until there is economic trouble and they germinate quickly and take root. It's like one plants hay seed on the top of the ground in much of the South in January, the seed not taking vigorous life until the following July or August.

Among the winter seeding was of ideas akin to those put forward by the progressive, forward-looking, dynamic Walter Reuther, head of the United Auto Workers, who incidentally used this JEC subcommittee forum, as it were, for planting purposes.

(1) There should be a sharp increase in Federal aid for education, not only for the primary **and secondary levels, but for those of college grade.**

(2) The shortening of the work week to 36 or 32 hours, by law.

(3) A hefty expansion of Federal assistance for all kinds of local public works, the more expensive the better.

(4) Federal "standards" for state unemployment compensation; i. e., Federal compulsion upon the states to raise the amounts paid and lengthen the duration of UC benefits.

(5) Provide social security old age retirement at age 60 instead age 65, or at a lower age if a workman became disabled.

(6) Federal aid on a substantial scale should be provided for whole communities suffering unemployment as a result of "automation."

To Go Slowly On Flood Insurance

One of the surprises of the month is that tentatively the Eisenhower Administration appears inclined to stop, look, and listen before taking the crossing into a new sphere of Federal responsibility — flood insurance.

Last week Senator Herbert H. Lehman (D., N. Y.) as acting chairman, opened Senate Banking Committee hearings into this latest project. The Administration confessed that it had as yet failed to conjure up the terms of a flood insurance bill. Further, it was full of ideas about what should NOT be in a flood insurance bill.

For instance, said Roger W. Jones, Assistant Director of the Budget, as spokesman for the Administration, there should be a couple of ceilings on the involvement of Uncle Sammy. He should not stick his neck out for too high a dollar amount, and the maximum claim payable per individual should be something like $250,000 or $300,000, limiting the thing to home owners and small businesses.

Furthermore, whatever agency undertakes this nightmare should also have "full administrative responsibility" to fix rates, it was recommended. In other words, rates for insurance would not be universal like insurance under FHA or the admission of dolts to state universities, but would bear a relation to the risk. This hints that since Norman P. Mason, FHA Commissioner, suggested how easy it would be to dream up a flood insurance scheme because Federal Crop Insurance was such a success, that somebody since took a look at Federal Crop Insurance.

As for Norman P. Mason in person, who was going to do all the dreaming, he confined himself to telling about all the good things FHA did in the late Northeastern flood, adding at the end, as though it were an afterthought, that flood insurance was a good idea.

There is a suspicion that the Administration has scouted around and found that flood insurance, which sounded so good when Mr. Eisenhower promised it in Hartford just after the disaster, has lost its political lustre. A hint of that came from Mr. Jones who said he had gone to Farmington, Conn., and found that people weren't much interested because it was more or less a weather fluke and they didn't think it would happen again.

However, the President make an uneouivocal promise, and when a President of the United States speaks before he thinks, it is always more difficult to forget about it than when any one else does same.

Trouble Arises In Paradise

It would be supposed that when some bureaucrats can get their hands on a chunk of $200 million or more of "free" dough outside the budget to spend on what they would consider their vitally necessary purposes, that this would be just about bureaucratic paradise.

But there is trouble in paradise.

This all relates to the new Military Housing Title of FHA, passed by the last session of Congress, which has been described herein before, but to recapitulate briefly:

Military housing costs money and, until the first Military Housing FHA title of 1946 (differing only in degree from the latest), Congress paid for same with appropriated cash.

Under the new set-up, there is a somewhat tortured system to keep the whole thing outside the budget. The Defense Department has military housing designed, and lets the contract as though it were appropriated money. When the FHA sees the plans, it MUST approve insurance of a loan for putting up the military housing.

After FHA commits itself to "insure" a "loan" for military housing, some insurance company, pension fund, or other source of investment is tapped to pay the contractor.

Fight On "Insurance" Cost

So the first trouble in paradise is between Defense and FHA over the insurance premium. Under the law FHA is obliged to charge a specified insurance premium. Defense kicks.

Defense kicks because after the housing is built the Services tell the military personnel to move in, withhold the personnel's quarters allowance, and utilize this quarters money to pay the principal and interest instalments on the FHA "insured" loan.

The practical effect of this arrangement is that Defense becomes *de facto* mortgagor, so Defense is guaranteeing the money FHA in turn guarantees. This somewhat droll mix-up comes from trying to make financial sleight-of-hand look all regular. Defense says since they guarantee the thing, why should they also pay the full insurance premium to FHA. FHA says no premium, no sleight-of-hand.

Initially, the money comes from private sources, but the Federal National Mortgage Association, another Federal agency, may be required by law to take the "loan" out of the hands of the initial lender, with Federal money. However, FNMA wants this $200 million used as a revolving fund, and hopes to sell the loan back to the same or another private investment source later. FNMA says the things won't bring more than 98 cents on the dollar, less in some of the Southwestern markets, so FNMA says it won't buy for more than 98 cents on the dollar.

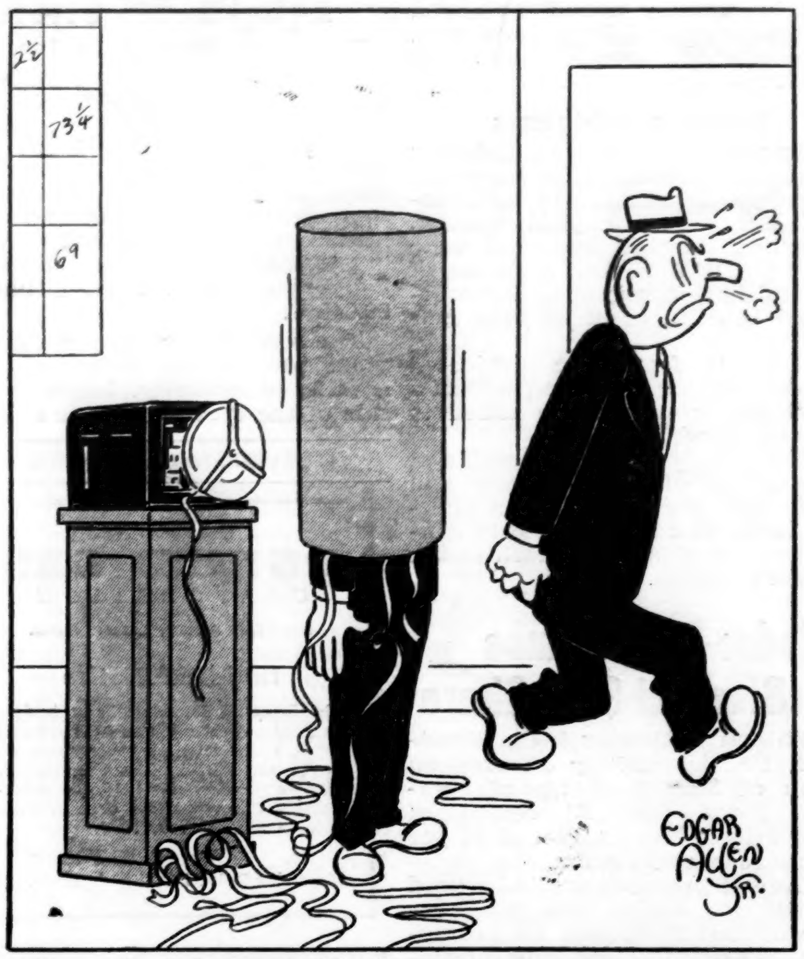
Then where the heck do we get that extra two bucks or so to pay the contractor, in effect say the Defense boys.

A third bone of contention is maintenance. Under FHA rental projects, enough rent has to be charged to set aside a maintenance fund to keep the building in good shape during the generation or so of its term. That, says Defense, is silly, because they just order the boys in blue or khaki to take to the paint brush, or handle a pipe wrench when the faucet leaks.

(Note: Military housing is NOT "free" under this set-up. Congress merely is obliged annually for the next 30 to 40 years after EACH group of military housing is built, to appropriate annually the amortization and interest. It must do this or default, even if 35 years from now there is no nice enemy around running a cold war and requiring a military establishment of 2,850,000 men and women who require housing. In this respect it is just like the instalment buying of Federal office buildings under the new "Lease Purchase Act" fully-approved by the Eisenhower Administration.)

[*This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.***]**

BUSINESS BUZZ



"Am I to interpret this to mean you may possibly be a bit disappointed with my investment advice, Mr. Bulldozer?"

COMING EVENTS

In Investment Field

Nov. 12, 1955 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia third annual dinner dance at the Germantown Cricket Club.

Nov. 15, 1955 (Detroit, Mich.)
Securities Traders Association of Detroit & Michigan annual Fall party at the Detroit Boat Club.

Nov. 15, 1955 (New York City)
Investment Association of New York annual dinner at the Waldorf-Astoria Hotel.

Nov. 16-18 (New York, N. Y.)
Association of Stock Exchange Firms meeting of Board of Governors.

Nov. 19, 1955 (New York City)
Security Traders Association of New York cocktail party and dinner dance at the Hotel Commodore.